

RECORDATION NO. 1-5388

RECORDATION NO. 1-5388-E

NOV 27 1987-2 35 PM

PHILADELPHIA
LOS ANGELES
MIAMI
HARRISBURG

NOV 27 1987-2 35 PM MORGAN, LEWIS & BOCKIUS

COUNSELORS AT LAW

INTERSTATE COMMERCE COMMISSION WASHINGTON

INTERSTATE COMMERCE COMMISSION

101 PARK AVENUE

RECORDATION NO. 1-5388-D

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NEW YORK, NEW YORK 10178

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NOV 27 1987-2 35 PM

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RECORDATION NO. 1-5388-A

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NOV 27 1987-2 35 PM

INTERSTATE COMMERCE COMMISSION

November 25, 1987

NOV 27 1987-2 35 PM

INTERSTATE COMMERCE COMMISSION

Ms. Noreta R. McGee
Secretary

Interstate Commerce Commission
12th and Constitution Avenue, N.W.
Washington, D.C. 20423

RECORDATION NO. 1-5388-D

No.

INTERSTATE COMMERCE COMMISSION

Date NOV 27 1987

Fee \$ 60.00

ICC Washington, D.C.

Dear Secretary:

NOV 27 1987-2 35 PM

I have enclosed ~~INTERSTATE COMMERCE COMMISSION~~ original and one copy of the documents described below, to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

These documents are (i) a Lease Agreement, a primary document, dated as of November 1, 1987, (ii) a Lease Schedule, a primary document, dated November 25, 1987, (iii) a Purchase Agreement Assignment, a primary document, dated as of November 1, 1987, (iv) a Trust Agreement, a primary document, dated as of November 1, 1987, (v) a Trust Indenture, a primary document, dated as of November 1, 1987, (vi) an Indenture Supplement, a primary document, dated November 25, 1987 and (vii) a Bill of Sale, a primary document, dated November 25, 1987.

The names and addresses of the parties to the documents are as follows:

Lessor: Wilmington Trust Company, individually and as Owner Trustee
Rodney Square North
Wilmington, Delaware 19890

Lessee: Southeastern Pennsylvania
Transportation Authority
841 Chestnut Street
Philadelphia, Pennsylvania 19107

Lender: Deutsche Credit Corporation
2333 Waukegan Road
Deerfield, Illinois 60015

NOV 27 2 31 PM '87
TELETYPE UNIT
OFFICE OF THE SECRETARY
ICC

Counterpart -
[Signature]
mbs-rc

MORGAN, LEWIS & BOCKIUS

Owner Part-

icipant: Ford Motor Credit Company
The American Road
Dearborn, Michigan 48121-1729

Indenture

Trustee: The Connecticut National Bank
777 Main Street
Hartford, Connecticut 06115

A description of the equipment covered by the documents follows:

See Schedule I attached hereto.

A fee of seventy dollars (\$70) is enclosed. Please return the original and any extra copies not needed by the Commission for recordation to:

William A. Snedeker
Morgan, Lewis & Bockius
101 Park Avenue
New York, New York 10178

A short summary of the documents to appear in the index follows:

1. Lease Agreement, between:
Wilmington Trust Company, As Owner Trustee, Lessor
Rodney Square North
Wilmington, Delaware 19890

and

Southeastern Pennsylvania Transportation
Authority, as Lessee
841 Chestnut Street
Philadelphia, Pennsylvania 19107
Dated as of: November 1, 1987
and covering the lease of Commuter Railroad
Trailer Cars, Commuter Railroad Cab Cars and
Locomotives.

2. Lease Schedule, between
Wilmington Trust Company, as Owner Trustee
Rodney Square North
Wilmington, Delaware 19890

and

Southeastern Pennsylvania Transportation Authority
as Lessee
841 Chestnut Street
Philadelphia, Pennsylvania 19107
Dated: November 25, 1987 and covering the

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equipment described in Schedule I attached hereto.

3. Purchase Agreement Assignment, between
Southeastern Pennsylvania Transportation
Authority, as Assignor
841 Chestnut Street
Philadelphia, Pennsylvania 19107

and

Wilmington Trust Company, as Owner Trustee,
Assignee
Rodney Square North
Wilmington, Delaware 19890
Dated as of: November 1, 1987
and covering: the transfer of all of Assignor's
right, title and interest in the equipment
purchased pursuant to a purchase contract dated
May 27, 1987 between Bombardier Inc. and Assignor
(Purchase Agreement attached thereto as an
exhibit)

4. Trust Agreement, between:

Wilmington Trust Company, in its individual
capacity and as Owner Trustee
Rodney Square North
Wilmington, Delaware 19890

and

Ford Motor Credit Company, as Owner Participant
The American Road
(P.O. Box 1729)
Dearborn, Michigan 48121-1729
Dated as of: November 1, 1987
and covering the creation of a trust between the
Owner Trustee and Owner Participant

5. Trust Indenture, between,
Wilmington Trust Company, as Owner Trustee
Rodney Square North
Wilmington, Delaware 19890

and

The Connecticut National Bank, as Indenture
Trustee
777 Main Street
Hartford, Connecticut 06115
Dated as of: November 1, 1987
and covering the grant of a security interest in

MORGAN, LEWIS & BOCKIUS

the Indenture Estate by the Owner Trustee to the Indenture Trustee.

6. Indenture Supplement, by
Wilmington Trust Company
As Owner Trustee,
Rodney Square North
Wilmington, Delaware 19890
Dated: November 25, 1987
Wherein, the Owner Trustee grants to the Indenture Trustee a security interest in the Equipment described in Schedule I hereto.
7. Bill of Sale between
Southeastern Pennsylvania Transportation Authority, as Grantor
841 Chestnut Street
Philadelphia, Pennsylvania 19107

and

Wilmington Trust Company, as Owner Trustee,
Purchaser
Rodney Square North
Wilmington, Delaware 19890
Dated: November 25, 1987
Wherein, Grantor transfers for valuable consideration, all right and title to the equipment listed in Schedule I hereto.

Very truly yours,

A handwritten signature in cursive script that reads "Bill Snedeker".

William A. Snedeker

SCHEDULE I

FORD MOTOR/DEUTSCHE CREDIT/SEPTA

SCHEDULE A TO LEASE SCHEDULE
SEPTA/FORD/DCC
FUNDING DATE NOVEMBER 25, 1987

<u>Equipment Description</u>	<u>Vendor</u>	<u>Model No.</u>	<u>Serial No.</u>	<u>Purchase Price</u>
Commuter Railroad Trailer Cars	Bombardier Inc.	JWC-II-T	2501	\$837,414.28
			2502	837,414.28
			2503	837,414.28
			2504	837,414.28
			2505	837,414.28
			2506	837,414.28
			2507	837,414.28
			2508	837,414.28
			2509	837,414.28
			2510	837,414.28
			2511	837,414.28
			2512	837,414.28
			2513	837,414.28
			2514	837,414.28
			2515	837,414.28
			2516	837,414.28
			2517	837,414.28
			2518	837,414.28
			2519	837,414.28
			2520	837,414.28
			2521	837,414.28
			2522	837,414.28
			2523	837,414.28
			2524	837,414.28
			2525	837,414.28
				<u>20,935,357.00</u>
Commuter Railroad Cab Cars	Bombardier Inc.	JWC-II-C	2401	972,514.28
			2402	972,514.28
			2403	972,514.28
			2404	972,514.29
			2405	972,514.29
			2406	972,514.29
			2407	972,514.29
				<u>6,807,600.00</u>

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

William A. Snedeker
101 Park Avenue
New York, NY 10178

Dear Sir

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 11/27/87 at 2:35PM, and assigned re-recording number(s) 15388 & 15388-A, B, C, D, & E

Sincerely yours,

Norita R. McGee
Secretary

Enclosure(s)

SE-30
(7/79)

1 5388
RECORDATION NO. _____ FILED 11/25

NOV 27 1987 2 25 PM

INTERSTATE COMMERCE COMMISSION

Date 11/27/87
Fee \$ 10.00

ICC Washington, D. C.

LEASE AGREEMENT

dated as of November 1, 1987

by and between

WILMINGTON TRUST COMPANY,
not in its individual capacity
except as otherwise expressly provided
herein, but solely as Owner Trustee,
as Lessor

and

SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY,
as Lessee

Note: This Lease Agreement and all rentals due and to become payable hereunder have been assigned to The Connecticut National Bank, as security for the performance of certain obligations as provided in Section 20 hereof. The Lease Agreement has been executed in twelve (12) counterparts of which this is counterpart _____. See Section 25.4 hereof for information concerning the distinction between various counterparts hereof.

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RECORDATION NO. _____ FID 1425

NOV 27 1987 - 2 35 PM

LEASE AGREEMENT COMMISSION
INTEREST TO SOUTHEASTERN

Date 11/27/87
Fee \$ 10.00

ICC Washington, D. C.

THIS LEASE AGREEMENT, dated as of November 1, 1987, by and between WILMINGTON TRUST COMPANY, a banking corporation organized and existing under the laws of the State of Delaware, not in its individual capacity but solely as Owner Trustee under a Trust Agreement dated as of November 1, 1987 with the Owner Participant referred to therein (the "Lessor") and SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY, a body corporate and politic organized under the laws of the Commonwealth of Pennsylvania (the "Lessee"),

WITNESSETH:

WHEREAS, capitalized terms used herein are used with the meanings provided in Schedule A hereto; and

WHEREAS, the Lessee has entered into the Purchase Agreement with the Vendor providing for the purchase of certain mass commuting vehicles and other equipment and additional property relating thereto; and

WHEREAS, the Lessee has entered into the Construction Contract for the acquisition, construction and installation of a certain maintenance facility and related fixtures and equipment and additional property; and

WHEREAS, the Lessee has requested that the Lessor accept an assignment of the Purchase Agreement and purchase the Equipment, and accept an assignment of the Construction Contract and purchase the Plant and the Fixtures, all as identified therein and all for lease to the Lessee hereunder; and

WHEREAS, to induce the Lessor to accept an assignment of the Construction Contract and purchase the Plant and the Fixtures, for lease to the Lessee hereunder, the Lessee has proposed that the Lessee and the Lessor enter into the Site Lease; and

WHEREAS, the Lessor is willing to purchase the Equipment and the Facility and to lease the same to the Lessee, but only subject to the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency

of which are hereby acknowledged, the parties hereto, intending to be legally bound, do hereby agree as follows:

1. AGREEMENT TO PURCHASE AND LEASE.

1.1 Leased Property. Subject to all of the terms and conditions set forth in the Participation Agreement, including without limitation satisfaction of the conditions precedent set forth in Section 3 thereof, the Lessor shall acquire for lease hereunder to the Lessee the Equipment and the Facility. All of such Equipment and the Facility, to the extent accepted for lease hereunder, as evidenced by the execution of a Certificate of Acceptance and Lease Schedule in respect thereof, and, as of any date of determination then actually subject to the terms hereof, are hereinafter collectively referred to as the "Leased Property."

1.2 Acceptance. The Lessor agrees to appoint and constitute, and does hereby appoint and constitute, the Lessee its lawful agent for the purpose of accepting Units of Equipment, Spare Parts and the Facility on behalf of the Lessor for lease hereunder; provided, however, that no Unit of Equipment or Spare Part shall be, nor shall the Facility be, accepted on behalf of the Lessor by the Lessee for lease hereunder unless:

(a) The Lessee accepts such Unit of Equipment, Spare Part or the Facility on its own behalf, as lessee, for lease hereunder by execution of a Certificate of Acceptance;

(b) The total Purchase Price for all Equipment leased hereunder shall be equal to or less than \$63,928,150 and the Contract Price for the Facility shall be equal to or less than \$18,000,000;

(c) Such Equipment and the Facility shall be delivered and accepted hereunder on or before December 31, 1987 for Units of Equipment and Spare Parts on or before May 30, 1988 for the Facility;

(d) There shall not exist any Event of Default or Unmatured Event of Default hereunder; and

(e) The Lessee shall not have received written notice executed by the Lessor, Owner Participant or the Lender stating that the acceptance of such Unit of Equipment, Spare Part or the Facility would not be permitted because of the existence of an Event of Default or Unmatured Event of Default hereunder.

1.3 Agreement to Lease. Subject to the terms and conditions set forth herein, including without limitation satisfaction of the conditions precedent set forth in Section 3 of the Participation Agreement, the Lessor hereby agrees to lease to the Lessee, and the Lessee hereby agrees to lease from the Lessor, the Leased Property described in each Lease Schedule executed by the Lessee and the Lessor as of the Lease Commencement Date with respect thereto.

1.4 Sale of Leased Property. In the event that title to any Unit of Equipment, Spare Part or the Facility to be leased hereunder shall have vested in the Lessee under the Purchase Agreement or the Construction Contract prior to the Lease Commencement Date for such Unit of Equipment, Spare Part or the Facility, then the Lessee hereby sells, transfers, conveys and assigns its entire right, title and interest in each such Unit of Equipment, Spare Part or the Facility to the Lessor on the Lease Commencement Date with respect thereto free and clear of all liens and encumbrances whatsoever except those permitted under the Indenture.

1.5 Facility as Personalty. It is the express intention of the Lessor and the Lessee that, on and after the Lease Commencement Date for the Facility, the Facility, any part thereof and every portion thereof, and title thereto, is severed, and shall be and remain severed, from title to the real estate constituting the Site, and shall be and remain personal property as to all Persons and for all purposes to the extent permitted by law. In the event that, notwithstanding the foregoing, a court of competent jurisdiction shall make a final determination that some part or portion of the Facility constitutes real property under applicable law, then this Lease shall be deemed to be and shall be construed as a divisible and severable contract between the Lessor and the Lessee for the leasing of, respectively, (i) the part or portion of the Facility so determined to constitute real property under applicable law and (ii) the remainder of the Facility, all to the same extent and with the same force and effect as though a separate lease had been entered into by the Lessor and the Lessee in respect of the part or portion of the Facility so determined to constitute real property and the remainder of the Facility, and the amount of each installment of Basic Rent payable in respect of the part or portion of the Facility so determined to constitute real property shall bear the same relationship to the aggregate amount of such installment of Basic Rent as the cost to Lessor of such part or portion of the Facility so determined to constitute real property shall bear to the Contract Price. Lessor does not make any representation that the Facility, or any part thereof, will not be taxed as real property. There shall be no merger of this Lease nor of the leasehold estate created

hereby with any other estate in the Facility or the Site, or any part thereof, by reason of the fact that the same Person may acquire or own such estates, directly or indirectly.

2. TERM, RENT, AND NONREFUNDABLE FEE.

2.1 Term. The Term of this Lease for each Unit of Equipment, Spare Part and the Facility shall commence on the Lease Commencement Date with respect to such Unit of Equipment, Spare Part or the Facility, as the case may be, and shall continue, unless sooner terminated pursuant to Section 11, 16, 22 or 23.2 hereof, through the last day of the Basic Term or any Renewal Term for such Unit of Equipment, Spare Part or the Facility.

2.2 Rent. The Lessee hereby agrees to pay to the Lessor Basic Rent for each Unit of Equipment, Spare Part and the Facility leased hereunder at the times and in the amounts provided herein and in the Lease Schedule with respect to such Unit of Equipment, Spare Part or the Facility. Basic Rent (other than Basic Rent payable on any Closing Date) shall be due and payable semiannually on the Basic Rent Payment Dates specified in the applicable Lease Schedule. All Basic Rent, Stipulated Loss Values and all other amounts due and to become due hereunder shall be paid in Immediately Available Funds by the Lessee to the Lessor; provided, however, that so long as the Indenture shall not have been discharged pursuant to Section 11.01 thereof, the Lessor hereby directs, and the Lessee agrees, that all Basic Rent and all other amounts due and payable to the Lessor (other than Excluded Amounts) shall be paid directly to the Indenture Trustee, in Immediately Available Funds at the account for the Indenture Trustee set forth in Schedule I to the Participation Agreement, or at such other account or address as the Indenture Trustee may otherwise specify by notice hereunder. Payments constituting Excluded Amounts shall be made to the Person entitled thereto, in Immediately Available Funds, at the account therefor set forth in Schedule I to the Participation Agreement, or at such other account or address as such Person may otherwise specify by notice hereunder.

2.3 The Lessee shall pay to the Lessor on each Closing Date a nonrefundable fee in an amount equal to three percent (3%) of the Purchase Price of any Unit of Equipment or Spare Part acquired by the Lessor on that Closing Date.

2.4 Adjustments to Rent. If any of the following events shall occur, the amounts of Basic Rent and Stipulated Loss Value shall be appropriately adjusted upwards or downwards by such amounts as shall, in the good faith

reasonable determination of Owner Participant and subject to Section 2.5 hereto, preserve Owner Participant's Net Economic Return.

(a) the Facility shall become subject to this Lease other than on May 30, 1988 or the Contract Price shall be other than \$18,000,000;

(b) Units of Equipment or Spare Parts shall become subject to this Lease other than on November 25, 1987 and December 22, 1987, respectively, or the Purchase Price for Equipment on such dates shall be other than \$27,742,957 for Cars, and \$27,556,000 for Locomotives, \$2,917,543 for Cars and \$5,711,650 for Spare Parts, respectively;

(c) with respect only to Leased Property which has not yet been accepted for lease hereunder, there shall have occurred a change in tax law prior to the Closing Date for such Leased Property;

(d) the rate of interest payable on the Notes shall be other than 11.85% or the amortization schedule on the Notes shall be other than as set forth in Section 2.02 of the Indenture;

(e) Lessor's Commitment shall be other than 25% of the Purchase Price or 20% of the Contract Price paid on any Closing Date;

(f) Transaction Costs paid by the Owner Participant shall be other than \$2,048,203.75;

(g) with respect only to the determination of Stipulated Loss Values payable other than as a result of a Casualty Occurrence, the highest marginal Federal income tax rate applicable to domestic corporations shall be other than 40% in 1987 and 34% thereafter, provided, however, that for purposes of the adjustments made pursuant to this Section 2.4 such marginal tax rate shall be deemed to be the lower of 40% or such marginal tax rate or to be the higher of 28% or such marginal tax rate; or

(h) that portion of Lessor's basis in the Facility which is subject to accelerated cost recovery over a period of seven years (under Section 168(e)(3)(C) of the Code) shall be other than \$5,930,580 or that portion of Lessor's basis in the Facility which is subject to accelerated cost recovery over a period of 31.5 years (under Section 168(c) of the Code) shall be other than \$12,069,420.

Stipulated Loss Values shall also be adjusted as provided in Section 11 to the Tax Indemnity Agreement. If any technical correction of the Code inconsistent with the Tax Assumptions shall be enacted or promulgated by the 100th Congress, the amounts of Basic Rent and Stipulated Loss Value shall be appropriately adjusted by such amounts as shall preserve Owner Participant's Net Economic Return and the Tax Assumptions and the schedules of Stipulated Loss Values shall be modified in such manner as shall reflect such change in tax law. For purposes of this section, a "technical correction" shall mean any legislation enacted by the 100th Congress the purpose of which is to correct a clerical, drafting and other similar error contained in the Tax Reform Act of 1986 (the "1986 TRA"), but shall not in any event include any substantive change not supported by language contained in the legislative history of the 1986 TRA.

2.5 Procedure for Adjustment. As soon as practicable after any adjustment is required to be made pursuant to Section 2.4, Lessor shall notify Lessee of the amount of such adjustment, and Owner Participant shall confirm in writing to Lessee that the assumptions (except any assumption a change in which forms the basis of the adjustment), methods and accuracy of computations employed in the original calculations of Basic Rent and Stipulated Loss Value were used in determining such adjustment. Each determination pursuant to Section 2.4 hereof with respect to preservation of Owner Participant's Net Economic Return shall take into account any indemnity payments theretofore received by Owner Participant, whether pursuant to this Lease, the Tax Indemnity Agreement or any other Fundamental Agreement, and any other adjustments in Basic Rent and Stipulated Loss Value theretofore made pursuant to Section 2.4 hereof. Owner Participant shall in the first instance be responsible for determining the adjustments to be made pursuant to Section 2.4 hereof and such adjustments shall, at Lessee's request be made not later than 15 days after receipt by Lessee of the proposed amount of such adjustment, be verified, at Lessee's expense, by the independent accountants regularly employed

by Owner Participant or such nationally recognized firm of independent accountants selected by Owner Participant and reasonably satisfactory to the Lessee. Adjustments shall become final upon verification by such independent accountants unless no such verification had been requested, in which case they shall become final 15 days after the Lessor or Owner Participant has notified the Lessee of the proposed amount of any adjustment. Adjustments made pursuant to this Section 2.5 shall become effective for Basic Rent payable on the Basic Rent Payment Date next succeeding the date such adjustment becomes final; provided that if the next Basic Rent Payment Date will occur less than 15 days after such adjustment becomes final, then such adjustment shall not become effective with respect to the payment of Basic Rent until the following Basic Rent Payment Date.

In the event of any recomputation pursuant to this Section 2.5, Lessor or Owner Participant shall deliver a certificate to Lessee, Owner Trustee, and Indenture Trustee setting forth such recomputed figures. Any recomputation of Basic Rent shall be made in compliance with the requirements of Section 5 of Revenue Procedure 75-21, and tax laws relating to timing of rental income and so as to permit Owner Participant to accrue each payment of Basic Rent over the rental period to which it relates.

Notwithstanding anything contained in this Lease or any other Fundamental Agreement, neither Basic Rent nor Stipulated Loss Value may be reduced below that amount, together with any Installment Payments then due, which would result in Basic Rent or Stipulated Loss Value being less than the amount required to enable Lessor to pay the principal of, and interest on, the Notes on any date that such payments may be required pursuant to the Notes or Indenture (whether at maturity, by reason of acceleration or otherwise).

3. NET LEASE.

3.1 Net Lease. This Lease is a net lease, and it is intended that the Lessee shall pay all costs, expenses and taxes of every character, whether foreseen or unforeseen, ordinary or extraordinary, structural or nonstructural, in connection with the use, operation, maintenance, repair and reconstruction of the Leased Property, including without limitation, the costs, expenses and taxes (except as otherwise provided herein) and similar levies particularly referred to in this Lease. All Rent and all other amounts which the Lessee is obligated to pay hereunder shall be paid without notice or demand (unless notice or demand is expressly required by this Lease) and without setoff,

counterclaim, abatement, suspension, deduction or defense against the Lessor or any assignee of the Lessor, or any other Person whatsoever; provided, however, that so long as the Lessee shall comply with its agreements contained herein, nothing contained herein shall be deemed a waiver by the Lessee of any rights which it may have against the Lessor under this Lease. The Lessee's obligations hereunder, including without limitation its obligations to pay all Rent payable hereunder, shall be absolute and unconditional under any and all circumstances and shall not be affected in any way by reason of (i) any malfunction, damage to or the destruction or loss of all or any portion of the Leased Property from whatsoever cause, (ii) the loss or theft of all or any portion of the Leased Property, (iii) the taking of the Leased Property or any part thereof by condemnation, confiscation, requisition or partition, (iv) the prohibition, limitation or restriction of the Lessee's use of all or any portion of the Leased Property, or the interference with such use by any private person, government entity or corporation, (v) the inadequacy or incorrectness of any description of the Leased Property, (vi) any insolvency, bankruptcy, reorganization or similar proceedings by or against Lessee, (vii) Lessee at any time having immunity from suit, prejudgment attachment, attachment in aid of execution or execution on the grounds of sovereignty or otherwise, which immunity, if any, Lessee hereby expressly waives, or (viii) any default by the Lessor under this Lease or under any other instrument to which the Lessor and the Lessee may be parties; whether or not any of the foregoing shall be within the control of the Lessor, any Owner Participant or any other Person, or for any other cause, whether similar or dissimilar to the foregoing, any present or (to the extent permitted by applicable law) future law to the contrary notwithstanding, it being the intention of the parties hereto that the obligations of the Lessee shall be separate and independent covenants and agreements and shall continue unaffected unless and until all obligations of the Lessee hereunder have been satisfied pursuant to the express provisions of this Lease. If for any reason whatsoever this Lease shall be terminated in whole or in part by operation of law or otherwise except as specifically provided in Sections 11 and 22 hereof, Lessee nonetheless agrees to pay to Lessor an amount equal to the Basic Rent at the time such payment would have become due and payable in accordance with the terms hereof had this Lease not been terminated in whole or in part. Lessee hereby waives, and hereby agrees to waive at any future time at the request of Lessor, to the extent now or then permitted by applicable laws, any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel,

quit, or surrender this Lease except in accordance with the express terms hereof. Each payment of rent made by Lessee to Lessor shall be final as to Lessor and Lessee. Lessee will not seek to recover all or any part of any such payment of Rent from Lessor or the Indenture Trustee for any reason whatsoever. Nothing contained herein shall constitute a waiver of any claim which the Lessee or the Lessor may have or acquire against the Vendor, the Contractor or any other Person or confer any benefit or right on any other Person.

4. DELIVERY AND ACCEPTANCE OF LEASED PROPERTY.

4.1 Delivery of Equipment. Each Unit of Equipment and Spare Part will be delivered to the Lessee's premises in Chester County, Pennsylvania and such delivery shall be deemed to be delivery of the Equipment by the Lessor to the Lessee hereunder.

4.2 Delivery of the Facility. The Plant and the Fixtures will be constructed and installed at the Site, but no component or item thereof placed upon the Site or incorporated into the Plant shall be or become subject to this Lease until such time as the procedures described in Section 1 hereof and Section 2 of the Participation Agreement, and the conditions prescribed in Section 3 of the Participation Agreement, shall have been observed and satisfied.

4.3 Acceptance of Leased Property. Upon such delivery of any Unit of Equipment or Spare Part, and upon completion of the acquisition, construction and installation of the Facility, the Lessee shall cause an inspector or inspectors of the Lessee to inspect each Unit of Equipment, Spare Part and the Facility, and if it is found to be acceptable for purposes of this Lease, to accept delivery of each such Unit of Equipment, Spare Part and the Facility for purposes of this Lease. The Lessee shall then execute and deliver to the Lessor a Certificate of Acceptance stating that such Unit of Equipment, Spare Part or the Facility has been inspected and accepted on behalf of the Lessee and the Lessor on the date of such Certificate and (in the case of Units of Equipment) is marked in accordance with Section 6 hereof, whereupon, subject to the observance and satisfaction of Section 1 hereof and Sections 2 and 3 of the Participation Agreement, such Unit of Equipment, Spare Part or the Facility shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease. Notwithstanding the foregoing or the Lessee's execution of any Certificate of Acceptance, any acceptance of a Unit of Equipment, Spare Part or the Facility hereunder will be for purposes of this Lease only and will be without prejudice to

any rights which the Lessor or the Lessee may have against the Vendor or the Contractor in respect thereof or any other manufacturer, contractor, carrier, seller or other Person.

5. NO WARRANTIES BY THE LESSOR.

5.1 Disclaimer of Warranties. As between the Lessor and the Lessee, and without prejudice to any right of the Lessee or the Lessor against the Vendor or the Contractor, the Lessee's acceptance for lease hereunder of any Unit of Equipment, Spare Part or the Facility, as evidenced by its execution of a Certificate of Acceptance with respect thereto, shall constitute the Lessee's acknowledgement that (i) such Unit of Equipment or Spare Part under the Purchase Agreement or the Facility under the Construction Contract, as the case may be, has been delivered to the Lessee and (ii) that such Unit of Equipment, Spare Part or the Facility (A) is of a size, design, capacity and manufacture acceptable to the Lessee for lease hereunder, (B) is suitable for the Lessee's purposes, (C) is in good order, repair and condition, and (D) is subject to all of the terms and conditions of this Lease. NONE OF THE LESSOR OR ANY OWNER PARTICIPANT OR THE INDENTURE TRUSTEE OR THE LENDER MAKES ANY EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS AS TO ANY MATTER WHATSOEVER, INCLUDING WITHOUT LIMITATION, THE TITLE, VALUE, DESIGN, OPERATION, OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT, OR WORKMANSHIP IN, ANY UNIT OF EQUIPMENT, SPARE PART OR THE FACILITY DELIVERED TO LESSEE HEREUNDER, AND NEITHER LESSOR NOR ANY PARTICIPANT MAKES ANY WARRANTY OF MERCHANTABILITY OR FITNESS OF ANY UNIT OF EQUIPMENT, SPARE PART OR THE FACILITY FOR ANY PARTICULAR PURPOSE, OR THE ABSENCE OF AN INFRINGEMENT OF ANY PATENT, TRADEMARK OR COPYRIGHT, OR CONFORMITY OF ANY UNIT OF EQUIPMENT, SPARE PART OR THE FACILITY TO THE PROVISIONS, QUANTITY, OR SPECIFICATIONS OF THE CONTRACT PURSUANT TO WHICH IT WAS MANUFACTURED OR CONSTRUCTED, AS THE CASE MAY BE, ANY PURCHASE ORDER OR PURCHASE DOCUMENTS RELATING THERETO, OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, IT BEING AGREED THAT ALL SUCH RISKS, AS AMONG LESSOR, THE PARTICIPANTS, AND LESSEE, ARE TO BE BORNE BY LESSEE, AND THE BENEFITS OF ANY AND ALL IMPLIED WARRANTIES OF LESSOR AND OF ANY PARTICIPANT ARE HEREBY WAIVED BY LESSEE. IN THE EVENT OF ANY DEFECT OR DEFICIENCY IN THE UNIT OF EQUIPMENT, SPARE PART OR THE FACILITY, OR ANY PORTION THEREOF, OF ANY NATURE, WHETHER PATENT OR LATENT, NEITHER LESSOR NOR ANY PARTICIPANT SHALL HAVE ANY RESPONSIBILITY OR LIABILITY WITH RESPECT THERETO OR FOR ANY INCIDENTAL OR CONSEQUENTIAL DAMAGES, INCLUDING WITHOUT LIMITATION STRICT LIABILITY IN TORT. Notwithstanding the foregoing, the Lessor represents that it will hold such title to the Equipment and the Facility as is conveyed to

the Lessor free and clear of any lien created by or against the Lessor except the interest of the Indenture Trustee under the Indenture and the leasehold estate of the Lessee hereunder and any lien otherwise permitted under the Indenture. The Lessee acknowledges that each Unit of Equipment, Spare Part and the Facility is of the design, capacity and manufacture specified by the Lessee. In no event shall any defect in, or unfitness of, any Unit of Equipment, Spare Part or the Facility relieve the Lessee of the obligation to pay Rent or to make any other payments required hereunder or of any other obligation hereunder. Without limiting the generality of the foregoing, neither the Lessor nor any Owner Participant nor the Indenture Trustee nor the Lender shall be liable to the Lessee for loss of the use of any Unit of Equipment, Spare Part or the Facility or for any interruption in the Lessee's business occasioned by the Lessee's inability to use any Unit of Equipment, Spare Part or the Facility for any reason whatsoever. The provisions of this Section 5.1 have been negotiated by the Lessor and the Lessee and are intended, except for such representations and warranties as are expressly set forth in this Lease, to be a complete exclusion and negation of any representations or warranties of the Lessor and of each Participant, express or implied, with respect to any Unit of Equipment, Spare Part or the Facility that may arise pursuant to any law now or hereafter in effect, or otherwise.

6. IDENTIFICATION MARKS ON THE EQUIPMENT AND FACILITY.

6.1 Marking of Equipment. The Lessee shall, at its expense, cause each Transit Vehicle to be plainly marked on both sides "Property of Wilmington Trust Company, as Owner Trustee, Owner and Lessor." The Lessee shall keep and maintain all such notices affixed or attached to each Transit Vehicle throughout the Term with respect thereto. The Lessee will not allow the name of any Person to be placed on any Unit of Equipment as a designation or claim of ownership other than that of the Lessor; provided, however, that the Lessee may cause each Transit Vehicle to be lettered with the names or initials or other insignia customarily used by the Lessee on equipment used by it of the same or a similar type for convenience or identification of its rights to use such Transit Vehicle as permitted under this Lease. No other markings of any character whatsoever, including, without limitation, advertising displays, shall be placed on such Transit Vehicles.

6.2 Marking of Facility. Lessee shall affix and maintain throughout the Term in prominent places in and about the Facility an inscription reading substantially as follows:

"NOTICE

This facility is owned by Wilmington Trust Company, as Trustee, Owner-Lessor, . . ."

In addition, so long as the Indenture shall be in effect, such inscription shall also include the following sentence:

"A mortgage and security interest in this facility has been granted to The Connecticut National Bank, as Indenture Trustee."

6.3 Changes. Lessee shall replace any such inscription which may be removed or destroyed or become illegible or which shall no longer be correct because of a change in the identity of Lessor or Indenture Trustee and, to the extent necessary to give legal notice of the Indenture Trustee's security interest in the Leased Property, make such other changes and post such other signs regarding the interest of Indenture Trustee in the Leased Property as Indenture Trustee may request.

7. FEES AND TAXES.

7.1 Lessee's General Tax Indemnity. The Lessee shall pay promptly when due, and indemnify and hold the Lessor and its successors and assigns ("Indemnitees") harmless from, all license, permit, title, documentation and registration fees whatsoever, all levies, imposts, duties, charges or withholdings whatsoever, and all sales, use, gross receipts, net worth, ad valorem, real property, personal property, doing business, franchise (howsoever calculated), privilege, excise, stamp and other taxes whatsoever (together with any penalties, fines or interest thereon) whether assessed, levied or imposed by any governmental or taxing authority against or upon any Indemnatee with respect to any Unit of Equipment, Spare Part or the Facility or the purchase, financing, acquisition, installation, ownership, delivery, leasing, possession, use, operation, control, return or other disposition thereof, or the Rents, receipts or earnings arising therefrom, or with respect to this Lease, all upon the terms, and subject to the exclusions and other conditions, set forth in Section 7.1 of the Participation Agreement.

8. INDEMNIFICATION BY LESSEE.

8.1 Lessee's General Indemnity. The Lessee shall indemnify and hold each Indemnatee harmless on a net after-tax basis against any and all claims, demands, liabilities, losses, damages and injuries, of whatsoever kind, including

strict liability in tort and all fees (including reasonable attorneys' fees), costs, expenses, penalties and interest, relating to, resulting from or in any way arising out of any of the grounds or causes specified in, and otherwise upon the terms, and subject to the exclusions and other conditions set forth in, Section 7.2 of the Participation Agreement.

9. USE OF LEASED PROPERTY.

9.1 Use. The Lessee warrants and agrees that each Unit of Equipment will at all times be used and operated as a mass commuting vehicle and that the Leased Property will at all times be used and operated under and in compliance with the laws of the Commonwealth of Pennsylvania, any jurisdiction within which a Unit of Equipment is operated and the United States and in compliance with all acts, rules, regulations and orders of any judicial, legislative or regulatory body having power to regulate or supervise the use of the Leased Property. The Lessee shall not permit any liens, charges or encumbrances to be placed or levied against the Leased Property other than liens, charges or encumbrances placed thereon by the Lessor or by persons claiming against the Lessor but not the Lessee. The Lessee agrees to procure and maintain in effect all licenses, certificates, permits and other approvals and consents required by federal, state, county, municipal or other laws and regulations in connection with the possession, use, operation and maintenance of the Leased Property. The Lessee agrees that without the Lessor's prior written consent the Lessee will not permit any Unit of Equipment or any component of the Facility or suffer any Unit of Equipment or any component of the Facility to be located any place other than in Pennsylvania, Delaware, New Jersey or, provided that no Event of Default or Unmatured Event of Default shall have occurred and be continuing and the Lessee has delivered to the Lessor and the Indenture Trustee written notice five days prior to such removal, any of the other contiguous 48 states or permit any Unit of Equipment or any component of the Facility to be used by anyone other than authorized personnel of the Lessee. Lessee agrees to segregate and keep separate the Spare Parts from other equipment or parts of Lessee in such a manner that the Spare Parts will at all times be readily identifiable and accessible in a single location.

10. MAINTENANCE AND REPAIR OF LEASED PROPERTY.

10.1 Maintenance of Leased Property. THE LESSEE WILL AT ITS OWN EXPENSE, (A) MAINTAIN EACH UNIT OF EQUIPMENT, SPARE PART AND THE FACILITY (i) IN GOOD AND SAFE

OPERATING ORDER, REPAIR AND CONDITION, (ii) IN STRICT CONFORMITY WITH THE OPERATING, RUNNING MAINTENANCE AND HEAVY REPAIR MANUALS, INSTRUCTIONS, AND SERVICE BULLETINS APPLICABLE TO SUCH UNIT OF EQUIPMENT, SPARE PART OR THE FACILITY, AS THE CASE MAY BE, FURNISHED BY THE MANUFACTURER, VENDOR, CONTRACTOR, SUBCONTRACTOR, OR SUPPLIER, IN ACCORDANCE WITH THE LESSEE'S STANDARD PRACTICES, AND (iii) IN ACCORDANCE WITH THE REQUIREMENTS OF ANY FEDERAL, STATE OR OTHER LAW OR REGULATORY AUTHORITY HAVING JURISDICTION THEREOF, AND (B) PAY FOR ALL FUEL, SERVICE, INSPECTIONS, OVERHAULS, REPLACEMENTS, SUBSTITUTIONS, MATERIALS AND LABOR NECESSARY OR DESIRABLE FOR THE PROPER USE, REPAIR, OPERATION AND MAINTENANCE OF EACH UNIT OF EQUIPMENT, SPARE PART AND THE FACILITY. Without limiting any other provision of this Section 10.1, each Unit of Equipment, Spare Part and the Facility subject to this Lease shall be operated safely and carefully by properly trained persons and shall not be operated or used in a negligent, reckless, careless or abusive manner, loaded beyond its maximum gross weight, load or axle limits, used beyond established time restrictions or without adequate oil pressure, coolant levels, fluid levels, sealant or hoses and belts. The Lessee agrees that each operator of any Transit Vehicle shall be conclusively presumed to be an agent, employee or servant of the Lessee and not an agent, employee or servant of the Lessor, the Lender or any Owner Participant.

10.2 Repair of Leased Property. THE LESSOR SHALL HAVE NO DUTY TO INSPECT OR TO MAINTAIN ANY UNIT OF EQUIPMENT, SPARE PART OR THE FACILITY. THE LESSEE WILL MAINTAIN EACH UNIT OF EQUIPMENT, SPARE PART AND THE FACILITY TO THE SAME EXTENT AS A PRUDENT RESPONSIBLE INDIVIDUAL WOULD IN THE MANAGEMENT OF HIS OWN PROPERTIES FOR THE FULL USEFUL LIFE OF A SIMILAR UNIT OF EQUIPMENT OR FACILITY AS IF OWNED BY THE LESSEE AND WITHOUT REFERENCE TO THE REMAINING TERM HEREUNDER, AND IN ALL EVENTS TO THE EXTENT REQUIRED TO MAINTAIN SUCH UNIT OF EQUIPMENT AND THE FACILITY IN AS GOOD REPAIR, ORDINARY WEAR AND TEAR EXCEPTED, WORKING ORDER AND OPERATING CONDITION AS WHEN DELIVERED TO THE LESSEE HEREUNDER. In addition, the Lessee shall maintain each Unit of Equipment, Spare Part and the Facility (i) in such condition as will enable such Unit of Equipment, Spare Part and the Facility to perform the functions for which it was originally intended at its original rated capacity as described by the Vendor or the Contractor or any manufacturer of a component part thereof and shall maintain each Unit of Equipment, Spare Part and the Facility in accordance with the specifications and planned maintenance program, if any, of the Vendor and the Contractor and any manufacturer of a component part thereof, including, with respect to the Transit Vehicles, the scheduled operating, running maintenance and

heavy repair programs, if any, of the Vendor, and the Contractor, and any manufacturer, (ii) in accordance with the standards prescribed by any governmental authority having jurisdiction over the Equipment and the Facility, including without limitation applicable transportation standards of the Commonwealth of Pennsylvania or the United States and (iii) in accordance with the operating, running maintenance, heavy repair, refurbishment, and modernization programs (a) which Lessee adheres to or is required to adhere to with respect to similar equipment owned or used by it and (b) which is customary for similar equipment in the mass commuting vehicle industry. If any of the standards set forth in clauses (i), (ii), (iii)(a) or (iii)(b) conflict with one or another, the higher standard shall be adhered to to the extent of such conflict. Upon return of each Unit of Equipment at the end of the Basic Term or any Renewal Term no engine or major component, including, without limitation, ground brushes, brake rigging, couplers, truck assemblies, air compressors and traction motors and comparable components, of any Transit Vehicle shall be more than 50% through its maintenance or use cycle. The Lessee shall prepare and maintain a repair and service log for each Unit of Equipment, Spare Part and the Facility reflecting all maintenance and services performed hereunder and shall make the log available to the Lessor, each Owner Participant and the Lender for reasonable inspection and verification and shall deliver copies of the log to the Lessor together with the surrender of any Unit of Equipment, Spare Part and the Facility.

10.3 Alterations. The Lessee shall at its own cost and expense make all additions, alterations, improvements and modifications to each Unit of Equipment and the Facility required by law or applicable regulations for the continued use and operation of such Unit of Equipment and the Facility during the Term with respect thereto and title to all such additions, alterations, improvements and modifications shall vest in the Lessor. The Lessee, at its sole cost and expense, may make other modifications, alterations, improvements or additions (not referred to in the preceding sentence) to any Unit of Equipment or the Facility with title thereto remaining in the Lessee provided that (i) such modifications, alterations, improvements or additions are readily removable at the end of the Term with respect thereto without causing material damage to the Unit of Equipment or the Facility and do not eliminate the capabilities of such Unit of Equipment or the Facility, or reduce the useful life, value or utility of such Unit of Equipment or the Facility, or impair the certification, performance, safety, quality, capability, use or character of such Unit of Equipment or the Facility, and (ii) at the end of the Term with respect to any Unit of Equipment or the Facility

as to which such modifications, alterations, improvements or additions have been made, the Lessee shall remove any such modifications, alterations, improvements or additions and restore such Unit of Equipment or the Facility to its original condition as of the Lease Commencement Date with respect thereto, ordinary wear and tear being excepted. The Lessee shall make no modifications, alterations, improvements or additions to any Unit of Equipment or the Facility which are not readily removable except those required for safety, health or environmental reasons without the prior written consent of the Lessor, which consent shall not be unreasonably withheld.

11. LOSS, DAMAGE OR DESTRUCTION OF LEASED PROPERTY.

11.1 Casualty Occurrence. The Lessee shall bear all risks of damage to, or loss or destruction of, the Leased Property or any component thereof during the Term hereof until the Leased Property has been returned to the Lessor pursuant to the provisions of Sections 14 or 16, as the case may be. Except as otherwise herein expressly provided, no such damage to, or loss or destruction of, the Leased Property or any component thereof shall impair any obligation of the Lessee to the Lessor under this Lease, including, without limitation, the obligation to pay Rent.

In the event that any Unit of Equipment, Spare Part or the Facility shall become lost, stolen, destroyed or, irreparably damaged from any cause whatsoever, or that the Lessor's title to any Unit of Equipment, Spare Part or the Facility shall be condemned, taken, requisitioned or seized by any governmental authority or any Unit of Equipment, Spare Part or the Facility shall be requisitioned for use by any governmental authority for a period in excess of ninety (90) days, or in the event of an insurance settlement (or if not insured, damage that would result in an insurance settlement if insured) with respect to the Leased Property or any component thereof on the basis of a total loss or constructive total loss (each such occurrence being hereinafter called a "Casualty Occurrence" and the date of such loss, damage or taking or the date of determination of such constructive loss being hereinafter called a "Casualty Occurrence Date") during the Term hereof and until the Leased Property or any such component thereof has been returned to the Lessor in accordance with the provisions of Sections 14 or 16 hereof, as the case may be, the Lessee shall (i) promptly and in any event within ten (10) days notify the Lessor and the Indenture Trustee in writing of such fact, fully informing the Lessor and Indenture Trustee of all details with respect thereto and (ii) on the date

specified in clauses (a) or (b) below at the option of the Lessee either:

(a) Provided that the Lessee shall have notified the Lessor of its election to proceed under this clause (a) within 30 days of the Casualty Occurrence Date relating to a Casualty Occurrence for a Unit of Equipment, replace the same within ninety (90) days of the Casualty Occurrence Date, with like property of at least equal useful life, value and utility and as in good repair, condition and working order assuming such Leased Property or component thereof was in the condition of maintenance required by the terms hereof (which replacement equipment and property shall have been approved in writing by the Lessor and, upon instructions of the Lender, the Indenture Trustee, as an acceptable replacement), which property shall be free and clear of all liens, claims, security interests or encumbrances, other than the lien of the Indenture Trustee, and upon replacement shall become subject to this Lease, and the Lessee shall indemnify and hold each Owner Participant harmless (through an adjustment to the Rent) against any reduction in each Owner Participant's Net Economic Return over the Term of this Lease to the extent of any net additional income tax payable by any such Owner Participant as a result of any depreciation recapture caused by replacing the Leased Property or any such component thereof pursuant to this Section 11.1. The Lessee, at its own expense, will promptly (i) furnish the Lessor with a bill of sale, in form and in substance satisfactory to the Lessor, with respect to such replacement property (ii) cause a supplement hereto, in scope and substance satisfactory to the Lessor, subjecting such replacement property to the terms of this Lease, to be duly executed by the Lessee, (iii) furnish the Lessor with such evidence of good title to such replacement property and of compliance with the insurance provisions of Section 13 hereof with respect to such replacement property as the Lessor may reasonably request, and (iv) take such other action as the Lessor may reasonably request in order that such replacement property be duly and properly leased hereunder and subjected to the lien of the Indenture to the same extent as the Unit of Equipment replaced thereby. Upon full compliance with this Section 11.1(a), the Lessor shall transfer to the Lessee all of the Lessor's right, title and interest, on an as-is, where-is basis, without recourse or warranty, express or implied (including, without limitation, any obligation of the Lessor with respect to merchantability or fitness), in and to, and shall

exercise such rights as it may have to cause such Unit of Equipment to be released from the lien of the Indenture; or

(b) Pay the Lessor on or before the earlier to occur of the fifth day following the date of receipt by the Lessee of insurance proceeds in respect of such Casualty Occurrence and the Business Day to occur no later than ninety (90) days after the Casualty Occurrence Date in cash the Stipulated Loss Value as of the month in which the Casualty Occurrence Date occurs set forth in Schedule B or Schedule C hereto for such Unit of Equipment, Spare Part or the Facility, as applicable, less any Basic Rent paid in respect of such Unit of Equipment, Spare Part or Facility due and paid after the Casualty Occurrence Date and prior to such date of payment together with interest on such Stipulated Loss Value less such Basic Rent, if any, at the Overdue Rate from and including the Casualty Occurrence Date to, but excluding, the date of payment and interest on such Basic Rent at the Overdue Rate from and including the Casualty Occurrence Date to the date of payment of such Basic Rent. At such time as the Lessor has received the payment required by the immediately preceding sentence, the further obligation of the Lessee to pay Basic Rent or Renewal Rent for such Unit of Equipment, Spare Part or the Facility, as the case may be, shall terminate except that in no event shall the Basic Rent for the Leased Property remaining under this Lease be reduced to an amount which, when added to the Installment Payments due to be paid by the Owner Participant pursuant to Section 5.1(b) of the Participation Agreement, is less than the amount necessary to pay the remaining principal of and interest on the Notes issued and outstanding under and pursuant to the Indenture. Upon such payment, the Lessee shall take all steps reasonably necessary to sell such Unit of Equipment, Spare Part or the Facility, as the case may be, as agent for the Lessor. If the proceeds of any such sale, net of the expenses incurred by the Lessee in connection with such sale, exceed the Stipulated Loss Value theretofore paid by the Lessee to the Lessor with respect to such Unit of Equipment, Spare Part or the Facility, as the case may be, such excess shall be promptly paid by the Lessee to the Lessor. The proceeds of any government compensation for condemnation or seizure constituting a Casualty Occurrence shall be paid to or retained by the Lessee to the extent of Stipulated Loss Value paid by Lessee with respect to such Unit of Equipment, Spare

Part or the Facility, as the case may be, and the surplus, if any, paid to the Lessor;

except that the Lessee shall not have the option to replace any Unit of Equipment under clause (a) but instead shall make the payment required under clause (b), if at the time of a Casualty Occurrence an Event of Default or Unmatured Event of Default shall have occurred and be continuing or the date of such Casualty Occurrence shall be within 90 days of the end of the Basic Term or any Renewal Term unless the Lessee and the Lessor shall have previously agreed to a Renewal Term or the Lessor shall have determined in good faith that there has been a materially adverse change in the condition (financial or otherwise) of the Lessee.

11.2 If the Lessee has elected to replace a Unit of Equipment pursuant to Section 11.1(a) hereof, but fails to make such replacement within ninety (90) days of the Casualty Occurrence Date, the Lessee shall, on the first day of the month following the month in which such ninety (90) day period ends, pay the Lessor the amounts specified in Section 11.1(b) (together with interest thereon at the Overdue Rate) and undertake to sell such Unit of Equipment as provided in Section 11.1(b) hereof. If no Event of Default or Unmatured Event of Default has occurred and is then continuing and the Lessee has elected to replace such Unit of Equipment, the Lessor shall release to the Lessee any proceeds of insurance or other proceeds (e.g. proceeds of condemnation or requisition) received by the Lessor with respect to any such Unit of Equipment replaced by the Lessee upon receipt by the Lessor of evidence satisfactory to it that such replacement has been made, or if the Unit of Equipment to be replaced by the Lessee has a material replacement cost, the Lessor shall release such amounts in progress payments upon reasonable certification of the work for which the Lessee requests payment.

If the Lessee does not replace such damaged Unit of Equipment, any insurance proceeds or other proceeds (e.g. proceeds of condemnation or requisition) received as the result of a Casualty Occurrence with respect to such Leased Property, shall be applied first to the reduction of any unpaid obligations of the Lessee to the Lessor hereunder and secondly to the reduction of the Lessee's obligation to pay the Stipulated Loss Value for the Leased Property or component thereof, if not already paid by the Lessee to the Lessor, or, if already paid by the Lessee, and if no Event of Default or Unmatured Event of Default shall have occurred and be continuing, to the reimbursement of the Lessee for its payment of such Stipulated Loss Value. The balance of such proceeds, if any, shall be paid to the Lessor.

11.3 In the event that any portion of the Leased Property has been damaged, but not irreparably, the Lessee shall promptly place the same in its original condition, ordinary wear and tear excepted. The Lessee shall promptly give the Lessor notice of any such damage and its plans to repair the same and thereafter confirm to the Lessor on a reasonable basis consistent with the extent of the damage that such repair plans have been carried forward diligently and completed. The Lessor shall, if no Event of Default or Unmatured Event of Default has occurred and is then continuing hereunder, and, provided that such Unit of Equipment, Spare Part or the Facility has been repaired to its original condition, ordinary wear and tear excepted, release to the Lessee the proceeds of any insurance received by the Lessor as a result of such damage for the purpose of reimbursing the Lessee for the costs of repairing or restoring such Leased Property upon receipt by the Lessor of evidence, satisfactory to the Lessor, that such repair or restoration has been completed and an invoice presented therefor, provided, however, that in the event that such insurance proceeds exceed \$500,000, the Lessor shall release to the Lessee amounts as progress payments no more frequently than once a month upon delivery of an invoice therefor and certification from the Lessee that the repairs specified in such certificate have been completed and that the insurance proceeds remaining after such progress payment are sufficient to complete the repair of such Unit of Equipment, Spare Part or the Facility to its original condition, ordinary wear and tear excepted.

11.4 The Lessee shall give the Lessor and the Lender notice of any claim for damages to be made by the Lessee under the Purchase Agreement or the Construction Contract, and so long as no Event of Default or Unmatured Event of Default shall have occurred and then be continuing, the Lessee may prosecute any such claim for damages in its own name and retain any monetary damages up to \$100,000 in the aggregate. Damages recovered or recoverable in excess of such amount on any such claim shall be paid to the Indenture Trustee as additional security so long as the Note related thereto remains outstanding and thereafter to the Lessor as security, in each case for application, so long as no Event of Default or Unmatured Event of Default shall have occurred and be continuing, to the repair of the Leased Property or component thereof as if damaged and then as provided in Section 11.3 hereof. Thereafter, upon the repair of such Leased Property or component thereof to the standard required hereunder, the balance, if any, so long as no Event of Default or Unmatured Event of Default shall have occurred and then be continuing, shall be distributed to the Lessee.

12. REPORTS AND CERTIFICATES.

During the Term of this Lease, the Lessee agrees to furnish to the Lessor, to Owner Participant and to the Lender:

(a) Within 120 days after the close of the Lessee's fiscal year, annual financial statements certified by a firm of independent certified public accountants reasonably acceptable to the Lessor and to the Lender, prepared in accordance with generally accepted accounting principles, including a balance sheet as of the end of such period, together with a statement of income, retained earnings and a statement of changes in financial position;

(b) Within 60 days after the close of each fiscal quarter of the Lessee, financial statements similar to those required in (a) above, uncertified, but prepared in accordance with generally accepted accounting principles, together with a certificate signed by the chief financial officer of the Lessee stating that such financial statements are true and correct in all material respects;

(c) Within the period set forth in (a) above, a certificate of an authorized officer of the Lessee representing and warranting: (i) that he has reviewed the activities of the Lessee and that, to the best of his knowledge after due inquiry, there exists no Event of Default or Unmatured Event of Default; and (ii) that each Unit of Equipment and component of the Facility is in good operating condition and repair consistent with the standard of maintenance set forth in this Lease, and reporting that no Unit of Equipment, Spare Part or the Facility has suffered a Casualty Occurrence except as set forth therein;

(d) From time to time such other information relating to the performance by the Lessee of its obligations hereunder, including non-financial information, as any Owner Participant or the Lender may reasonably request;

(e) Immediately after a responsible officer of Lessee familiar with the subject matter thereof has obtained actual knowledge of the existence of an Unmatured Event of Default or an Event of Default, a written notice specifying the nature of the Unmatured Event of Default or Event of Default and what action

Lessee is taking or proposes to take with respect thereto; and

(f) On each Closing Date and annually within 120 days after the end of each fiscal year, Lessee shall deliver to Lessor, and while the Indenture is in effect, the Indenture Trustee, (i) a list prepared as of the last day of the fiscal year describing all insurance maintained in accordance with Section 13 (and in particular describing risks insured against, coverage, amounts, deductibles, the identity of insureds and expiration dates), and (ii) a certificate of an authorized officer of Lessee, confirmed by a report of an independent accountant and/or independent actuary selected by Lessee and reasonably satisfactory to Lessor (and while the Indenture is in effect, the Indenture Trustee), to the effect that all premiums due under such policies have been paid in full and that such insurance meets all requirements of Section 13.

13. INSURANCE.

The Lessee will maintain, at its sole cost and expense, at all times during the Term of this Lease, and until the Leased Property has been returned to the Lessor in accordance with the provisions of Section 14 or 16, whichever is applicable, in amounts, covering risks and with reputable insurers rated A or better by Best's and lawfully doing business in the Commonwealth of Pennsylvania and otherwise acceptable to the Owner Participant, the Lessor and the Lender (a) comprehensive public liability and property damage insurance policies or coverages consistent with the requirements of Exhibit 3 hereto, insuring against liability for death, bodily injury and property damage resulting from ownership, possession, maintenance, use or operation of the Leased Property, and (b) insurance policies in an aggregate amount, or on such terms, as to prevent any named insured from becoming a co-insurer, but in any event in an amount not less than the Stipulated Loss Value of the Leased Property leased hereunder, insuring against loss and/or damage to Leased Property arising out of any risk covered by all risk coverage including, without limitation, fire, windstorm, explosion and extended coverage and against such other risks as are customarily insured against by responsible companies owning property of a similar character and engaged in a business similar to that engaged in by the Lessee. The all-risk insurance policies covering such property shall also include loss of the property due to abandonment when such abandonment is a result of an occurrence caused by an insured peril and the cost of recovery exceeds the value of the abandoned property. The Lessee

agrees that it will either (i) timely make and maintain all deposits to self funded reserves or custodial funds comprising coverages required by this Section 13 recommended by Towers, Perrin, Foster & Crosby or other nationally recognized independent actuaries selected by Lessee and reasonably acceptable to Lessor and the Indenture Trustee or (ii) prior to the time such deposits are required to be made, acquire insurance complying with this Section 13 in lieu of such coverages. All insurance policies shall (i) name the Lessor, each Owner Participant, the Indenture Trustee and the Lender as additional insureds, with losses under all property or physical damage insurance policies to be payable to the Lessor, each Owner Participant, the Lessee and the Lender as their respective interests may appear, and (ii) provide that if the insurers cancel or alter such insurance policies, or if the same shall lapse, for any reason whatsoever, such cancellation, alteration or lapse shall not be effective as to the Lessor, any Owner Participant or the Lender for thirty (30) days after receipt by the Lessor, each Owner Participant and the Lender, respectively, of written notice by such insurers of such cancellation, alteration or lapse and shall provide for at least 30 days prior written notice to each insured named therein of the date on which such policies shall terminate by lapse of time if not renewed. Each such policy shall insure Lessor, each Participant, Indenture Trustee, and any other additional insured regardless of any breach or violation by Lessee or any other Person (other than such insured Person) of any warranties, declarations, or conditions contained in the policies of such insurance (including without limitation a breach or violation resulting from the use or lease of any Unit of Equipment, Spare Part or the Facility for purposes more hazardous than those permitted by such policies). Each such policy shall expressly provide that all provisions thereof, except the limits of liability (which shall be applicable to all insureds as a group) and liability for premiums (which shall be solely a liability of Lessee), shall operate in the same manner as if there were a separate policy covering each such insured. Each such policy shall provide that the insurer thereunder waives all rights of subrogation against Lessor, Indenture Trustee, and each Participant and waives any right of set-off or counterclaim and any other right of deduction, whether by attachment or otherwise. Such insurances shall be primary without right of contribution from any other insurance carried by or on behalf of Lessor with respect to its interest in any Unit of Equipment, Spare Part or the Facility, and shall provide further than no Person other than Lessee shall have any liability for any premiums with respect thereto. The Lessee shall deliver to the Lessor and the Lender, prior to the Lease Commencement Date for any Unit of Equipment, Spare

Part or the Facility (or at such other time or times as the Lessor or the Lender may request) a certificate or other evidence of the maintenance of all such insurance satisfactory to the Lessor and the Lender; provided, however, that neither the Lessor nor the Lender shall be under any duty to examine such certificate or other evidence of insurance, or to advise the Lessee in the event that its insurance is not in compliance with this Lease. In the event of failure on the part of the Lessee to provide and furnish any of the aforesaid insurance, the Lessor may (and, if the Lessor shall fail to do so, the Lender may) after notice procure such insurance and the Lessee shall, upon demand, reimburse the Lessor or Lender for all expenditures made by the Lessor or Lender for such insurance. The comprehensive physical loss or damage insurance policy or policies shall also provide that (i) any proceeds of such insurance in excess of \$100,000 arising from any single incident shall be payable to the Lessor (or the Indenture Trustee so long as the Indenture shall be in effect); and (ii) upon receipt by the insurer from the Lessor or the Lender or the Indenture Trustee of any written notice of the occurrence of an Event of Default or Unmatured Event of Default hereunder, any proceeds payable by said insurer with respect to any loss or destruction of, or damage to, any Unit of Equipment, Spare Part or component of the Facility shall be payable solely to the Indenture Trustee from the date of said insurer's receipt of such written notice, up to the date said insurer receives written notice from the Lessor, the Lender or the Indenture Trustee which originally gave such notice, that said Event of Default or Unmatured Event of Default is no longer continuing hereunder.

14. RETURN OF LEASED PROPERTY.

Upon the expiration or other termination of this Lease with respect to any Unit of Equipment, Spare Part or the Facility, the Lessee shall, if requested to do so by the Lessor, store all or any of such Units of Equipment and Spare Parts, and continue to preserve and maintain the Facility, without charge to the Lessor for a period of sixty (60) days and in all events surrender and return possession of such Units of Equipment, Spare Parts and the Facility to the Lessor in good order and repair, ordinary wear and tear excepted, consistent with the standard of maintenance required by Section 10 hereof and to that end the Lessee shall secure for the Lessor within ten (10) days prior to the end of the Basic Term or any Renewal Term the report and appraisal of an expert maintenance organization satisfactory to each Owner Participant and unrelated to the Lessee or any Owner Participant to the effect that each Unit of Equipment, Spare Part and the Facility is in the condition of maintenance

required by Section 10 hereof, and if the Lessee shall fail or be unable to secure such confirming report and appraisal for any such Unit of Equipment, Spare Part or the Facility, then the obligation of the Lessee for Rent hereunder shall without further act continue hereunder until such report and appraisal shall be delivered, provided that the Lessee shall not use such Unit of Equipment, Spare Part or the Facility. At the end of the Basic Term or any Renewal Term the Lessee shall have the duty, and the Lessor shall have the right, to remove the Units of Equipment and Spare Parts from the premises whereon the same are located, whether or not affixed or attached to the realty, at the sole cost and expense of the Lessee, for delivery to the Lessor, and the Lessor shall have the right to sell or relet the Facility. Any Unit of Equipment or Spare Part returned to the Lessor shall be properly prepared for shipment by the Lessee, at the Lessee's expense, and shall be delivered with insurance and transportation prepaid to a point designated by the Lessor, which place shall not be greater in distance than 500 miles from the then location of such Unit of Equipment or Spare Part, unless the Lessor pays the additional transportation and insurance premium, if any, for the distance in excess of 500 miles. All Units of Equipment and Spare Parts shall be ready for shipment not later than the last day of the Term.

15. LESSOR'S OWNERSHIP; EQUIPMENT TO
BE AND REMAIN PERSONAL PROPERTY.

The Lessee acknowledges and agrees that it has either not acquired or obtained or if Lessee has so acquired or obtained, on the Lease Commencement Date for any Leased Property, will not retain, and by the execution of this Lease it does not have or obtain, and by payments and performance hereunder it does not and will not have or obtain, any title to any Unit of Equipment, Spare Part or the Facility, nor any property right or interest, legal or equitable, therein, except its rights as the Lessee hereunder and subject to the terms hereof. It is expressly understood that all of the Equipment shall be and remain personal property notwithstanding the manner in which the Equipment may be attached or affixed to any realty, and that upon the expiration or other termination of the Lease as to any Unit of Equipment or Spare Part, the Lessee shall have the obligation, and the Lessor shall have the right, to remove, or to cause the removal of, such Unit of Equipment or Spare Part, from the premises whereon the same is then located, for return to the Lessor pursuant to the provisions of Section 14 hereof, whether or not any such Unit of Equipment or Spare Part is affixed or attached to any realty or to any building, and, in the exercise of this right, the

Lessor shall not be liable for any damage except for such damage caused by its gross negligence or willful misconduct.

16. EVENTS OF DEFAULT AND REMEDIES.

If, during the continuance of the Term of this Lease, one or more of the following events (hereinafter called "Events of Default") shall occur:

(a) The Lessee shall fail to make any payment of Rent hereunder and any such failure shall continue for at least three (3) Business Days or the Lessee shall fail to pay any other amount due hereunder or under any Fundamental Agreement and such failure shall continue for ten (10) Business Days;

(b) The Lessee shall fail to procure and maintain any of the insurance or coverages required by Section 13 hereof or shall operate or suffer the operation of the Leased Property at any time or place not authorized by the insurance required by Section 13 hereof or shall fail to make or cause to be made any payment from such insurance or coverages or from any other funds of Lessee as may be necessary to pay any amount required to be paid under Section 8.1 hereof or Section 7.2 of the Participation Agreement but only in respect of risks covered by the insurance required to be maintained under Section 13(a) hereof;

(c) The Lessee shall fail in the observance and/or performance of any other covenant, condition or agreement on the part of the Lessee to be observed and/or performed under this Lease and such default shall continue unremedied for thirty (30) days after a responsible officer of the Lessee shall have actual knowledge thereof or shall have received written notice from the Lessor or the Indenture Trustee specifying the default and demanding the same to be remedied; provided, however, that if any failure referred to in this clause (c) is of such nature that it cannot be corrected within such 30-day period, such failure shall not constitute an Event of Default so long as the Lessee institutes curative action within such period, promptly notifies the Lessor of such action and diligently pursues such action to completion, provided that such action does not in the Lessor's judgment create a material risk of forfeiture or loss of the Leased Property or any portion thereof and can be completed by the Lessee within ninety (90) days after a responsible officer of the Lessee has the actual knowledge or receipt of the original written notice

from the Lessor or the Indenture Trustee referred to above or such longer period as to which the Lessor may consent;

(d) Any representation or warranty made by the Lessee herein or in any document or certificate furnished to the Lessor in connection herewith or pursuant hereto shall at any time prove to be incorrect when made in any material respect;

(e) The Lessee shall make or permit any unauthorized assignment or transfer of this Lease or of the Lessee's rights and obligations hereunder, or the Lessee shall make or permit any unauthorized sublease, possession or transfer of the Leased Property; or

(f) The Lessee shall seek or consent to or acquiesce in the appointment of a trustee or receiver, or a trustee or a receiver shall be appointed for the Lessee or for a substantial part of the Lessee's property without the Lessee's consent and such appointment shall not have been stayed or dismissed for a period of forty-five (45) days, or bankruptcy, reorganization, insolvency, arrangement or liquidation proceedings shall be instituted by or against the Lessee and, if instituted against the Lessee, shall not be discharged, stayed or dismissed for a period of forty-five (45) days, or the Lessee's corporate existence shall terminate.

Then, in any such case and at any time thereafter so long as the same shall be continuing, the Lessor, at its option, may declare this Lease to be in default, and at any time thereafter (unless, prior to the acceleration of the Notes, the Lessee shall have remedied all outstanding defaults), the Lessor may do, and the Lessee shall comply with one or more of the following with respect to all or any part of the Equipment or the Facility, as may be appropriate in the context, as the Lessor in its sole discretion shall elect, to the extent such remedies shall be available to the Lessor under such laws as may then be in effect and applicable to the exercise of such remedies, and subject always to any mandatory requirements of such laws:

(1) Cause the Lessee, upon the written demand of the Lessor and at the Lessee's expense to, and the Lessee shall, promptly return to the Lessor all or such part of the Equipment and redeliver possession of the Facility as the Lessor may demand in the manner and condition required by and otherwise in accordance with all of the provisions of Section 14 hereof as if such Equipment or the Facility were

being returned at the end of the Term; or the Lessor, at its option, may enter upon the premises where such Equipment is located or believed to be located, or upon the Site, and take immediate possession of and remove such Equipment or take possession of the Facility without the necessity of first instituting proceedings, by summary proceedings or otherwise, and the Lessee shall comply therewith, all without liability to the Lessor for or by reason of such entry or taking of possession, whether for the restoration of damage to property caused by such taking or otherwise;

(2) Sell, relet or otherwise dispose of any Unit of Equipment, Spare Part or component of the Facility, or any rights in respect thereof, at public or private sale with notice as required by law to the Lessee, as the Lessor may determine, and the Lessor may hold the Lessee liable for any installment of Rent due on or before the date of such sale plus any deficiency between the net proceeds of such sale and the Stipulated Loss Value for such Unit of Equipment, Spare Part or the Facility, computed as of the date of sale, or any deficiency between the rentals received in respect of any reletting and Basic Rent for any Unit of Equipment, Spare Part or the Facility so relet together with interest, to the extent permitted by applicable law, at the Overdue Rate on the amount of such deficiency, or hold, use, operate, lease to others or keep idle all or any part of the Equipment and the Facility as the Lessor, in its sole discretion, may determine, in any such case free and clear of any rights of the Lessee except as hereinafter set forth in this Section 16 and without any duty to account to the Lessee with respect to such action or inaction or for any proceeds with respect thereto except to the extent required by paragraph (4) below in the event that the Lessor elects to exercise its rights under said paragraph (4) in lieu of its rights under paragraph (3) below;

(3) Whether or not the Lessor shall have exercised, or shall thereafter at any time exercise, any of its rights under paragraph (1) or paragraph (2) above with respect to any Unit of Equipment, Spare Part or the Facility not previously sold or relet pursuant to paragraph (2) above, the Lessor, by written notice to the Lessee specifying a payment date not later than 10 days from the date of such notice, may cause the Lessee to pay to the Lessor, and the Lessee shall pay to the Lessor, on the payment date specified in such notice, as liquidated damages for the loss of a bargain and not as a penalty, any installment of Basic Rent with respect to the Equipment and the Facility due on or before such payment date plus at Lessor's election either (i) an amount equal to the excess, if any, of (A) the Stipulated Loss Value for such Unit of

Equipment, Spare Part or the Facility immediately prior to such termination, computed as of the payment date specified pursuant to this paragraph (3), over (B) the Fair Market Value for such Unit of Equipment or the Facility, computed as of the payment date specified pursuant to this paragraph (3), or (ii) an amount equal to the excess, if any, of (A) the net present value (discounted at a rate of 9% per annum) of the Basic Rents (or Renewal Rents) remaining to be paid under this Lease after the payment date so specified due in respect of such Unit of Equipment, Spare Part or the Facility over (B) the present value (discounted at a rate of 9% per annum) of the Fair Market Rental Value of such Unit of Equipment, Spare Part or the Facility for the period from the payment date so specified to the last day of the Basic Term or Renewal Term, as the case may be, together in either case with interest, to the extent permitted by applicable law, at the Overdue Rate on the amount of such excess, if any, from the payment date specified pursuant to this paragraph (3) to the date of actual payment of such amount;

(4) In the event that the Lessor, pursuant to paragraph (2) above, shall have sold or relet any Unit of Equipment, Spare Part or component of the Facility, the Lessor in lieu of exercising its rights under paragraph (3) above with respect to such Unit of Equipment, Spare Part or the Facility, may, if it shall so elect, cause the Lessee to pay to the Lessor, and the Lessee shall pay to the Lessor, on the date of such sale, as liquidated damages for the loss of a bargain and not as a penalty (in lieu of the Basic Rent for such Unit of Equipment, Spare Part or the Facility due after the date on which such sale occurs and in addition to any installment of Basic Rent for such Unit of Equipment, Spare Part or the Facility due up to and including the date on which such sale occurs), (i) in the case of a sale the amount of any deficiency of the net proceeds of such sale from the Stipulated Loss Value of such Unit of Equipment, Spare Part or the Facility, computed as of the date of such sale together with interest at the Overdue Rate, on the amount of such deficiency, if any, from the date in respect of which such Stipulated Loss Value is computed to the date of actual payment, and (ii) in the case of a reletting, an amount equal to the excess, if any, of (A) the net present value (discounted at a rate of 9% per annum) of the Basic Rents (or Renewal Rents) remaining to be paid under this Lease after such reletting due in respect of such Unit of Equipment, Spare Part or the Facility over (B) the net present value (discounted at a rate of 9% per annum) of the rentals to be received in respect of such reletting together with interest at the Overdue Rate, on the amount due pursuant to this clause (ii) from the date of such reletting to the date of actual payment; or

(5) Rescind this Lease and all or any Lease Schedule as to any or all Units of Equipment, Spare Parts and the Facility, or exercise any other right or remedy which may be available under applicable law or proceed by appropriate court action to enforce the terms hereof or to recover damages for the breach hereof.

Whether or not any Unit of Equipment, Spare Parts or the Facility is returned to, or repossessed by the Lessor, as aforesaid, the Lessee shall also be liable for, and the Lessor may forthwith recover from the Lessee, all unpaid Rent and other unpaid sums that accrued prior to the date of the Lessee's default. In addition to the foregoing, the Lessor may also recover from the Lessee all costs and expenses, including without limitation reasonable attorneys' fees and fees of collection agencies, incurred by the Lessor in exercising any of its rights or remedies hereunder.

To the extent permitted by applicable law, the Lessee hereby waives any right it may have to cause any claim of the Lessor pursuant to this Section 16 to be submitted to arbitration.

In the event that any court of competent jurisdiction determines that any provision of this Section 16 is invalid or unenforceable, in whole or in part, such determination shall not prohibit the Lessor from establishing its damages sustained as a result of any breach of this Lease in any action or proceeding in which the Lessor seeks to recover such damages. Any repossession or resale of any Unit of Equipment, Spare Part or the Facility (including, in the case of the Facility, any reletting thereof) shall not bar an action for damages for breach of this Lease, as hereinbefore provided, and the bringing of an action or the entry of judgment against the Lessee shall not bar the Lessor's right to repossess any or all of the Units of Equipment, Spare Parts or the Facility.

The remedies herein provided in favor of the Lessor shall not be deemed to be exclusive, but shall be cumulative and shall be in addition to all other remedies in the Lessor's favor existing at law, in equity or in bankruptcy. The receipt and acceptance by the Lessor (or its assigns) of any Rent or other payment after the occurrence of an Event of Default shall not be deemed to be a waiver of such Event of Default on the part of the Lessor (or its assigns).

17. REPRESENTATIONS AND WARRANTIES BY LESSEE.

In order to induce the Lessor to enter into this Lease and each Lease Schedule and to induce the Owner Participant to make available Lessor's Commitment to Lessor and Lender to make the loans to the Lessor provided for in the Participation Agreement, the Lessee hereby reaffirms to and for the benefit of the Lessor each of the covenants, representations and warranties contained in Section 4.3 of the Participation Agreement.

18. DISMANTLEMENT.

If Lessee shall not have exercised its option to purchase the Facility pursuant to Section 23.1, then, upon written request of Lessor on or prior to the Site Lease Termination Date, Lessee will within one year after the Site Lease Termination Date, at its own risk and expense, dismantle the Facility and deliver the Facility F.O.B. to an active railhead or other suitable common carrier of its choosing. Lessor shall reimburse Lessee for Lessee's expenses of dismantlement and delivery out of the net after-tax proceeds, if any, from the sale or lease of the Facility after the delivery thereof to such railhead or common carrier.

In lieu of its obligation to dismantle the Facility, Lessee shall have the right to purchase the Facility for a purchase price equal to the greater of Fair Market Value less the estimated costs of dismantling the Facility and delivery in accordance with this Section 18 or U.S. \$1.00. For purposes of this Section 18, the Fair Market Value of the Facility shall be determined by mutual agreement of Lessor and Lessee within 30 days after receipt by Lessor and the Owner Participant of a notice from Lessee requesting such determination delivered no less than 180 days prior to the last date on which dismantlement under this Section 18 must occur, or, if they shall fail to agree within such 30-day period, by the Appraisal Procedure. Lessee's obligations to dismantle the Facility shall survive any termination of this Lease.

19. REPRESENTATIONS AND WARRANTIES OF LESSOR.

The Lessor hereby reaffirms to and for the benefit of each Owner Participant and the Lessee each of the covenants, representations and warranties of the Lessor contained in Section 4.4 of the Participation Agreement.

20. ASSIGNMENT.

The Lessor has assigned this Lease and each Lease Schedule to the Indenture Trustee, and has granted a mortgage on and security interest in each Unit of Equipment, Spare Part and the Facility to the Indenture Trustee as of the date hereof, pursuant to the Indenture, a copy of which has been delivered to the Lessee. The Indenture Trustee, as the Lessor's assignee, shall have all of the rights (other than rights excluded by the Indenture) but none of the obligations of the Lessor under this Lease and each Lease Schedule and the Lessee recognizes and acknowledges and agrees to such assignment and mortgage or security interest and shall accept and comply with the directions or demands given in writing by the Indenture Trustee. The Lessee shall not assert against the Lender or the Indenture Trustee any defense, counterclaim or setoff that the Lessee may have against the Lessor or any Owner Participant. However, nothing herein shall relieve the Lessor from its obligations to the Lessee hereunder. Until the obligations of the Lessor under the Indenture have been paid in full, except as provided in the Indenture, this Lease shall not be amended or modified without the prior written consent of the Indenture Trustee.

21. RECORDING AND FILING; EXPENSES.

(a) The Lessee will, upon demand of the Lessor or the Indenture Trustee, at the Lessee's cost and expense, do and perform any other act and will execute, acknowledge, deliver, file, register, record and deposit (and will refile, re-register, re-record or re-deposit whenever required) any and all instruments required by law in the United States or reasonably requested by the Lessor or the Lender including, without limitation, financing statements under the Uniform Commercial Code (which, notwithstanding the intent of the Lessor and the Lessee that this is a true lease, the Lessor shall have the right to file wherever and whenever the Lessor requires), for the purpose of the proper protection, to the satisfaction of the Lessor and the Lender, of the Lessor's title to any Unit of Equipment or Spare Part and the Lender's security interest in any such Unit of Equipment or Spare Part and the Fixtures and this Lease and the Lease Schedules hereunder, or otherwise for the purpose of carrying out the intent of this Lease and the Overall Transaction.

(b) Lessee agrees that it will pay all of the costs and continuing fees and expenses upon the terms, to the extent and subject to the conditions of Section 6.2 of this Participation Agreement.

22. VOLUNTARY TERMINATION.

22.1 Termination. In the event that the Lessee determines as set forth in a resolution of Lessee's Board that the Leased Property is economically obsolete or surplus to its requirements, provided no Event of Default or Unmatured Event of Default shall have occurred and then be continuing, the Lessee shall have the right to elect to terminate this Lease with respect to all, but not less than all, of the Locomotives and related Spare Parts, all, but not less than all, of the Cars and related Spare Parts or all, but not less than all, of the Facility then subject to this Lease on any Basic Rent Payment Date occurring on or after the tenth anniversary of the Basic Term Commencement Date (a "Termination Date") provided, however, Lessee may elect to terminate this Lease with respect to all of the Equipment then subject to this Lease only if Lessee elects to terminate (or has previously terminated) this Lease with respect to the Facility. The Lessee shall give to the Lessor not less than 180 days' prior written notice of the Lessee's intention so to terminate this Lease (any such notice, a "Termination Notice"). The Termination Notice shall specify (i) the Termination Date, (ii) the Leased Property being terminated and (iii) the Lessee's determination that such Leased Property is economically obsolete or is surplus to the Lessee's needs.

22.2 Sale of the Leased Property. From and after the giving of the notice referred to in Section 22.1 hereof the Lessee shall, as agent for the Lessor, use reasonable efforts to obtain cash bids for the purchase of the Equipment being terminated or the sale of the Facility, as the case may be, and, in the event it receives any bid, the Lessee shall, within five (5) Business Days after receipt thereof and at least ten (10) Business Days prior to the proposed Termination Date, certify to the Lessor in writing the amount and terms of each such bid, and the name and address of the party or parties (who shall not be the Lessee or any Person affiliated with the Lessee or any Person with whom Lessee has an arrangement to lease, purchase or use the Leased Property but who may be any Owner Participant or any affiliate of an Owner Participant or any Person contacted by an Owner Participant) submitting such bid. On or before the Termination Date: (i) the Lessee, as agent for the Lessor, shall sell and deliver the Equipment being terminated or possession of the Facility, as the case may be, or cause such Equipment or possession of the Facility to be delivered, in the same condition as if delivery were being made to the Lessor pursuant to Section 14 hereof, to the bidder(s), if any, which shall have submitted the highest cash bid therefor at least ten Business Days prior to such

Termination Date, (ii) the net proceeds received from such sale shall be paid to the Lessor and (iii) the Lessee shall simultaneously pay or cause to be paid to the Lessor an amount equal to the sum of (A) all unpaid Rent with respect to the Leased Property due on or prior to the Termination Date (including Basic Rent accrued and unpaid to such date of sale) plus (B) an amount equal to the premium due on the Notes pursuant to the Indenture plus (C) the excess, if any, of (1) the Stipulated Loss Value for the Equipment being terminated or the Facility, as the case may be, computed as of the Termination Date, over (2) the sale price of such Leased Property sold by the Lessee on behalf of the Lessor after deducting the reasonable expenses incurred by the Lessor, Owner Participant, Indenture Trustee and Lender in connection with such sale. On the receipt of payment by Lessor from Lessee of the amounts set forth in the immediately preceding sentence, Lessor shall transfer to the purchaser thereof all of Lessor's right, title and interest, on an as-is, where-is basis, without recourse or warranty, express or implied (including, without limitation, any obligation of the Lessor with respect to merchantability or fitness), in and to the Leased Property being terminated. In the event that, for whatever reason, the Equipment being terminated or the Facility is not sold on the Termination Date, this Lease shall continue in full force and effect, and the Lessee shall have the right, upon reimbursement of the Lessor, Owner Participant, the Indenture Trustee and the Lender for their reasonable out-of-pocket expenses hereunder, to revoke its Termination Notice; provided, however, that the Lessee may not revoke any Termination Notice referred to in Section 22.1 above more than two times during the Term; and provided, further, that at the time of any such revocation the Lessee shall not have revoked any such Termination Notice within two years prior to the date of such proposed revocation. Thereafter, any future Termination Notice shall be irrevocable.

23. OPTIONS TO PURCHASE.

23.1 Purchase at End of Term. Upon the expiration of the Basic Term or any Renewal Term with respect to the Leased Property, provided that the Lessee has paid all Rent and all other sums then due and payable by the Lessee to the Lessor, or which would become due upon request of the Lessor as required under the provisions of this Lease, and provided that no Event of Default or Unmatured Event of Default has occurred and is continuing, the Lessee shall have the option, exercisable on at least 360 days' prior written notice to the Lessor and each Owner Participant, to purchase all, but not less than all of the Leased Property then subject to the Lease or all, but not less than all, of the

Locomotives and related Spare Parts, or all, but not less than all, of the Cars and related Spare Parts, or all, but not less than all, of the Facility, for an amount, payable on or before such expiration date, equal to the Fair Market Value of the Leased Property or the Facility, as the case may be. Fair Market Value shall be determined by mutual agreement between Lessor and Lessee and failing such agreement within 60 days of Lessee's notice, such value shall be determined in accordance with the Appraisal Procedure.

23.2 Early Purchase Option. On the tenth anniversary of the Basic Term Commencement Date and on each Basic Rent Payment Date thereafter, provided that the Lessee has paid all Rent and all other sums then due and payable by the Lessee to the Lessor, or which would become due upon request of the Lessor as required under the provisions of this Lease, and provided that no Event of Default or Unmatured Event of Default has occurred and then remains unremedied to the Lessor's satisfaction, the Lessee shall have the option, exercisable on at least 360 days' prior written notice to the Lessor and each Owner Participant, to purchase all, but not less than all of the Leased Property then subject to this Lease under all Lease Schedules or all, but not less than all, of the Facility, for an amount equal to the sum of (A) the higher of (i) the Stipulated Loss Value of the Leased Property or the Facility, as the case may be, as of such date or (ii) the Fair Market Value of the Leased Property or the Facility, as the case may be, as of such date plus (B) the premium due on the Notes pursuant to the Indenture on the date of such purchase. Fair Market Value shall be determined by mutual agreement between Lessor and Lessee and failing such agreement within 60 days of Lessee's notice, such value shall be determined in accordance with the Appraisal Procedure.

24. RENEWAL OPTION.

24.1 Renewal Option. Upon the expiration of the Basic Term and any Renewal Term, the Lessee shall have the option to extend this Lease with respect to all, but not less than all, of the Leased Property or all, but not less than all, of the Locomotives and related Spare Parts, or all, but not less than all, of the Cars and related Spare Parts or all, but not less than all, of the Facility for the period of years (which shall not be less than two years) specified in the notice referred to in Section 24.2 (a "Renewal Term") beginning on the day following the expiration of the Basic Term or any such Renewal Term. All the terms and provisions of this Lease shall remain in effect during each Renewal Term. The Lessee shall pay rent

("Renewal Rent") to the Lessor for each six-month lease period during each Renewal Term in an amount determined in accordance with Section 24.4 hereof, semi-annually in arrears on each May 30 and November 30 during such Renewal Term.

24.2 Procedure for Exercise of Renewal Option. No less than 360 days prior to the expiration date of the Basic Term or any Renewal Term, the Lessee, by irrevocable notice to the Lessor, may elect to extend the Term of this Lease for a Renewal Term.

24.3 Stipulated Loss Value. The amounts that are payable during any Renewal Term as Stipulated Loss Value with respect to the Leased Property, Locomotives, Cars or the Facility, as applicable, during such Renewal Term shall be determined on the basis of the fair market sales value thereof determined as of the commencement of such Renewal Term, amortized on a straight-line basis over such Renewal Term to the fair market sales value thereof as of the expiration of such Renewal Term, as determined prior to the commencement of such Renewal Term by mutual consent of the Lessor and the Lessee or, if they shall be unable to agree, as determined by the Appraisal Procedure.

24.4 Renewal Rent. Renewal Rent shall be the Fair Market Rental of the Leased Property to which the Renewal Term relates as mutually agreed by the Lessor and the Lessee, or if they shall be unable to agree before the ninetieth day prior to the first day of the Renewal Term, as determined by the Appraisal Procedure, provided, however, that the Lessee may elect by written notice to the Lessor in the case of the first Renewal Term only to renew this Lease for one Renewal Term of up to three years at a Renewal Rent of 60% of the average of the Basic Rents paid during the Basic Term provided that (i) on such election the Lessee deliver to the Lessor an appraisal satisfactory to Lessor to the effect that (1) the period of time equal to the sum of the proposed Renewal Term, the Interim Term and the Basic Term shall be less than 80% of the then estimated useful life of each of the Locomotives, the Cars and the Facility and (2) the fair market value of each of the Locomotives, the Cars and the Facility at the end of the proposed Renewal Term (determined without regard to inflation or deflation) shall be an amount at least equal to twenty percent (20%) of the aggregate of the Purchase Prices and the Contract Price and (ii) the Lessee has elected to renew this Lease with respect to all, but not less than all, of the Leased Property.

25. MISCELLANEOUS.

25.1 Late Charges On Overdue Payments. Except as otherwise provided in Section 8 hereof, any Event of Default under Section 16(a) shall result in the obligation on the part of the Lessee promptly to pay interest on such defaulted amount at a rate equal to the Overdue Rate for the period from and including the date due until such amount is actually paid.

25.2 Notices. Any notice required or permitted to be given by either party hereto to the other party or otherwise required hereunder shall be deemed to have been given when deposited in the United States mails, certified, return receipt requested, postage prepaid, addressed to such person or to either party at its address set forth in Schedule I to the Participation Agreement, or to such other address as any such party shall hereafter furnish to the others in writing.

25.3 Entire Agreement; Severability; Effect and Modification of Lease. This Lease (including each Lease Schedule hereunder) together with the Participation Agreement and the documents executed by the Lessor and the Lessee (and approved by the Lessor's assignee) pursuant hereto and thereto constitute the entire agreement between the parties with respect to the leasing of the Leased Property. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction, shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized officers of the Lessor and the Lessee.

25.4 Execution in Counterparts. This Lease and each Lease Schedule hereunder shall be executed in twelve counterparts, each of which when so executed and delivered shall be an original but all such counterparts shall together constitute but one and the same. Notwithstanding the foregoing, only the original counterpart of this Lease and each Lease Schedule marked "No. 1" shall constitute an original for purposes of the determination of chattel paper under the Uniform Commercial Code.

25.5 Governing Law. This Lease and each Lease Schedule shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

25.6 Trust Limitation. It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that each and all of the representations, warranties, undertakings and agreements herein made on the part of the Lessor are each and every one of them made and intended not as personal representations, warranties, undertakings and agreements by, or for the purpose or with the intention of binding, said party personally but are made and intended for the purpose of binding only the Estate related thereto as such term is used in the Trust Agreement, and this Lease is executed and delivered by the Lessor solely in the exercise of the powers expressly conferred upon it as Trustee under the Trust Agreement; and that no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against the Lessor (except for the willful misconduct or gross negligence of the Lessor), all such personal liability, if any, being expressly waived and released by the Lessee and by all Persons claiming by, through or under the Lessee; provided, however, that the Lessee, or any Person claiming by, through or under it making claim hereunder, may look to said Estate for satisfaction of the same.

25.7 Lessor's Right to Perform For Lessee. If the Lessee fails duly and promptly to perform any of its obligations under this Lease or fails to comply with any of the covenants or agreements contained herein, the Lessor may itself perform such obligations or comply with such covenants or agreements, for the account of the Lessee without thereby waiving any default and any amount paid or expense (including reasonable attorneys' fees) incurred by the Lessor in connection with such performance or compliance shall be payable, together with interest thereon at the Overdue Rate (providing such rate does not exceed the maximum rate permitted by law, in which event the maximum rate permitted by law shall apply) by the Lessee to the Lessor on demand.

25.8 Agreement For Lease Only. This Lease is and is intended to be a true lease (and not a lease intended as security or a lease in the nature of a security interest) and the Lessor and the Lessee shall treat the same as a true lease for all purposes, including, without limitation, legal, tax and accounting purposes.

25.9 Quiet Enjoyment. So long as no Event of Default or Unmatured Event of Default has occurred and is continuing, (a) the Lessee shall have the right of quiet enjoyment under the Lease and (b) notwithstanding any other provision of any of the Fundamental Agreements, so long as the Lessee is in compliance with its obligations under the Lease (including applicable grace periods), and no Event of Default has occurred and is continuing unremedied, Lessor shall not take or cause to be taken any affirmative action contrary to the Lessee's rights under the Lease, including the right to possession and use of the Equipment and the Facility.

25.10 Personal Liability. In carrying out the provisions of this Lease or in exercising any power or authority granted them by their position, there shall be no individual personal liability upon the officers, directors, employees or agents of Lessee, of Lessee's assignees or successors in interest under this Lease, of Lessee's authorized representatives, either personally or as individuals acting in an official capacity, it being understood that in such matters they act only as officers, directors, employees, agents or representatives of their respective organizations.

26. ASSIGNMENT AND SUBLEASE.

Except as permitted by Section 5.2 of the Participation Agreement the Lessee shall not, without the Lessor's prior written consent, (i) sublease or, except for purposes of maintenance, otherwise deliver, relinquish or transfer possession of all or any portion of the Leased Property or

INTENTIONALLY LEFT BLANK

(ii) assign or transfer this Lease or any Lease Schedule or any interest in this Lease or any Lease Schedule or any of its rights hereunder or thereunder or in any Unit of Equipment, Spare Part or component of the Facility, and any such purported assignment or sublease shall be void ab initio and of no force or effect whatsoever.

IN WITNESS WHEREOF, the Lessor and the Lessee, each pursuant to due authority, have caused these presents to be signed in their respective names by their duly authorized officers as of the date first above written.

WILMINGTON TRUST COMPANY, not in its individual capacity but solely as Owner Trustee except as otherwise expressly provided herein, LESSOR

By: 

Title: W. P. V. P.

SOUTHEASTERN PENNSYLVANIA
TRANSPORTATION AUTHORITY, LESSEE

By: 

Chairman

By: 

Treasurer

CERTIFICATE OF ACCEPTANCE

Pursuant to the Lease Agreement dated as of November 1, 1987 (the "Lease"), by and between WILMINGTON TRUST COMPANY, as Owner Trustee (the "Lessor"), and SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY (the "Lessee"), the undersigned, being the duly authorized representative of the Lessor and the Lessee hereby CERTIFIES THAT the [Units of Equipment [and Spare Parts]] [Facility]* described hereinafter [have] [has] been, as between the Lessor and the Lessee, delivered, inspected and accepted to the satisfaction of the undersigned as provided in Section 4 of the Lease. All capitalized terms used herein but not defined herein are used with the meanings, respectively, specified therefor in the Lease.

The [Units of Equipment [and Spare Parts]] [Facility]* [are] [is] described in the Schedule attached hereto and [have] [has] a total [Purchase Price] [Contract Price]* of \$_____. This Certificate of Acceptance is delivered for purposes of the Lease only and is without prejudice to any rights which the Lessor or the Lessee may have against the [Vendor] [Contractor]* or any other Person with respect to the [Units of Equipment [and Spare Parts]] [Facility].*

Lease Commencement Date:

SOUTHEASTERN PENNSYLVANIA
TRANSPORTATION AUTHORITY

By: _____

Title: _____

* As appropriate

LEASE SCHEDULE executed and delivered pursuant to the Lease Agreement dated as of November 1, 1987 (the "Lease"), by and between Wilmington Trust Company, as Owner Trustee (the "Lessor"), and Southeastern Pennsylvania Transportation Authority (the "Lessee"), the terms and conditions of which are hereby incorporated herein by reference. The Lessee hereby (a) agrees to lease [each Unit of Equipment [and Spare Part]] [the Facility]* identified herein from the Lessor effective the Lease Commencement Date specified below and for the Term specified in the Lease, and (b) agrees to pay to the Lessor Basic Rent in the amounts specified below for the [Equipment] [Facility]* at the times specified in the Lease. All capitalized terms used herein but not defined herein are used with the meanings, respectively, specified therefor in the Lease.

[Equipment]					[Purchase Price]
[Facility]*	[Vendor]		Model	Serial	[Contract
<u>Description</u>	<u>[Contractor]*</u>	<u>No.</u>	<u>No.</u>	<u>No.</u>	<u>Price]*</u>

SEE SCHEDULE ATTACHED

The total [Purchase Price] [Contract Price]* of the [Units of Equipment [and Spare Parts]] [Facility]* leased hereunder is \$_____.

The Lease Commencement Date is _____.

The nonrefundable 3% Fee is equal to \$_____, the receipt of which the Lessor hereby acknowledges.*

Basic Rent shall consist of [(i) an initial payment, payable on the Closing Date, equal to 2% of the Purchase Price and (ii)] _____ (____) semiannual payments in the amounts set forth in Annex A to this Lease Schedule with the first such installment due and payable _____ 1, 198__ and thereafter on the thirtieth day of each following May and November, with the __th and final such payment due _____, 2006.

The Installment Payments payable by the Owner Participant are \$_____ on May 30, 1988 and _____*.

* As appropriate

The Lessee and the Lessor hereby confirm all the terms and provisions of the Lease and, in witness whereof, have caused their duly authorized officers to execute this Lease Schedule.

WILMINGTON TRUST COMPANY,
as Owner Trustee, LESSOR

SOUTHEASTERN PENNSYLVANIA
TRANSPORTATION AUTHORITY,
LESSEE

By: _____

By: _____

Title: _____

Title: _____

EXHIBIT 3

RISK EXPOSURE COVERAGE

PUBLIC LIABILITY COVERAGE

* 0 - \$2 million	Self Insured through Casualty Reserve Fund
* \$2 million - \$4 million	Third Party Coverage with \$2 million First Case Inner Deductible
* \$4 million - \$5 million	Self Insured
\$5 million - \$20 million	Self-funded Reserve Custodial Fund with deposit Levels determined by independant actuary (T.P.F.C.)
\$20 million - \$50 million	Self Insured-Continuing investigation into participation in captive insurer
\$50 million - \$100 million	Railroad Association Insurance Limited (R.A.I.L.) Bermuda Captive Insurer

-
- * Effective January 1, 1988 - new coverage limits will be as follows:

\$0 - \$2.5 million	Self-Insured through Casualty Reserve Fund
\$2.5 million - \$5 million	Third Party Coverage with \$2 million First Case Inner Deductible

Schedule A to the Lease

The following terms shall have, for all purposes of the Lease, the following meanings, respectively (such definitions to be equally applicable to both the singular and the plural forms of the terms defined):

"Appraisal Procedure" means the following procedure for determining either or both of the Fair Market Value of any property and the Fair Market Rental Value of any property or any other amount stated to be subject to an Appraisal Procedure: Such matters shall be determined on the basis of an appraisal by an appraiser designated by Lessor or Owner Participant, and reasonably satisfactory to Lessee. If Lessee fails to approve of the appraiser designated by Lessor or Owner Participant, within 10 days after Lessor or Owner Participant, as appropriate, delivers a written notice of such designation to Lessee, then such appraiser shall be deemed approved by Lessee. If Lessee shall determine that the appraiser designated by Lessor or Owner Participant, as appropriate, is unsatisfactory to Lessee then it shall promptly notify Lessor of such determination and the grounds therefor and Lessee and Lessor or Owner Participant as appropriate, shall each appoint an independent appraiser who shall jointly determine such matter, or, if such independent appraisers cannot agree on such matter within 20 days, such matter shall be determined by the two independent appraisers and a third independent appraiser chosen within 10 days after such 20-day period by agreement of such first two independent appraisers, or, if such three independent appraisers fail to reach an agreement, the highest and the lowest estimates of such three independent appraisers shall be disregarded and the remaining estimate shall be effective and binding on the parties. If such third independent appraiser is not appointed within such 10-day period or such appraisal is not made within 20 days of such appointment then such appraisal shall be made promptly by an independent appraiser appointed by the American Arbitration Association (or its successors), at the request of Lessee or, as appropriate, Lessor or Owner Participant. If either party fails to appoint an independent appraiser within the time required, the determination of the independent appraiser appointed by the other party shall be final. Except as expressly provided in the Fundamental Agreements, the expenses of the Appraisal Procedure shall be paid by the Lessee.

"Basic Rent" shall mean, for either the Equipment or the Facility, (i) an initial payment, payable on the Closing Date with respect thereto, and (ii) the semiannual

payments to be made by the Lessee to the Lessor with respect thereto on each Basic Rent Payment Date and, for all of the Leased Property, all such payments to be made on each such Date. Each payment of Basic Rent shall be in the amount therefor designated on the Lease Schedule with respect thereto, subject to adjustment as provided for in the Participation Agreement and the Lease.

"Basic Rent Payment Dates" shall mean the thirtieth day of each May and November during the Term, commencing with May 30, 1988, and through the last day of the Term.

"Basic Term" shall mean the eighteen (18) year period commencing on the Basic Term Commencement Date and extending through May 30, 2006.

"Basic Term Commencement Date" shall mean May 31, 1988.

"Business Day" shall mean a day other than a Saturday, Sunday or legal holiday on which banking institutions are required or permitted by law to close in Philadelphia, Pennsylvania, or in New York, New York, or in Chicago, Illinois, or in Detroit, Michigan, or in Hartford, Connecticut, or in Wilmington, Delaware.

"Cars" shall mean the Bombardier Push-Pull Passenger Train Cars, Type JWC II-C and JWC II-T described in the Preliminary Equipment List attached to the Participation Agreement as Schedule II and, where the context so indicates and as of any date of determination, the train cars actually then subject to the Lease as evidenced by the inclusion of such train cars in any Certificate of Acceptance and Lease Schedule executed and delivered from time to time hereunder.

"Casualty Occurrence" shall have the meaning specified in Section 11.1 hereof.

"Certificate of Acceptance" shall mean each Certificate of Acceptance in the form of Exhibit 1 to the Lease executed and delivered by the Lessee pursuant to Section 1 of the Lease.

"Closing Date" shall have the meaning specified in the Participation Agreement.

"Code" shall mean the Internal Revenue Code of 1986, as the same may be amended from time to time.

"Contract Price" shall have the meaning specified in the Participation Agreement.

"Construction Contract" and "Construction Contract Assignment" shall each have the meaning specified therefor in the Participation Agreement.

"Equipment" shall mean, generally, the items of equipment described in the Preliminary Equipment List attached to the Participation Agreement as Schedule II and, where the context so indicates and as of any date of determination, the items of equipment, including Spare Parts, actually then subject to the Lease as evidenced by the inclusion of such items of equipment in any Certificate of Acceptance and Lease Schedule executed and delivered from time to time hereunder. "Unit of Equipment" means in all cases an individual Transit Vehicle under the Purchase Agreement.

"Event of Default" shall have the meaning specified in Section 16 hereof.

"Excluded Amounts" shall have the meaning specified in the Indenture.

"Facility" shall mean, generally, the property, real, personal and mixed, to be acquired, constructed and installed under the Construction Contract and described in the Preliminary Description of the Facility attached to the Participation Agreement as Schedule III, including the Plant and the Fixtures, where the context so indicates and as of any date of determination, all such property actually then subject to the Lease, as evidenced by the inclusion of such property in any Certificate of Acceptance and Lease Schedule executed and delivered hereunder and thereunder.

"Fair Market Rental Value" means the fair market rental value that would be obtained in an arm's length transaction between an informed and willing lessee and an informed and willing lessor, in either case under no compulsion to lease, and neither of which is an Affiliate of Lessor, Owner Participant, or Lessee, assuming that (a) the item to be leased is in the condition and repair required to be maintained by the terms of the Lease and (b) that the lessor would assume the rights and obligations of the Lessor under the Site Lease and (c) the lessee would assume the rights and obligations of the Lessee under the Site Sublease and Support Agreement; provided that, if Fair Market Rental Value is being determined for purposes of Section 16 of the Lease, the assumption described in clause (a) of this definition shall not be made.

"Fair Market Value" means the fair market sales value that would be obtained in an arm's length transaction between an informed and willing buyer and an informed and willing seller, in either case under no compulsion to buy or sell, and neither of which is an Affiliate of Lessor, Owner Participant or Lessee, and assuming that (a) the item to be sold is in the condition and repair required to be maintained by the terms of the Lease, and (b) that the lessor would assume the rights and obligations of the Lessor under the Site Lease, provided that if such Fair Market Value is being determined for purposes of Section 16 of the Lease the assumption described in clause (a) of this definition shall not be made.

"Fixtures" shall mean, generally, the equipment and other items of personal property to be installed in the Plant or on the Site, or to be provided by the Contractor in connection therewith, under the Construction Contract, all as more fully described in Part 2 of Schedule III attached to the Participation Agreement, and, where the context so indicates and as of any date of determination, all such property actually then subject to the Lease.

"Fundamental Agreements" shall have the meaning set forth in the Participation Agreement.

"Immediately Available Funds" shall have the meaning specified in the Trust Agreement.

"Indenture" and "Indenture Trustee" shall each have the meaning specified therefor in the Participation Agreement.

"Indemnitees" shall have the meaning specified in Section 7.1 hereof.

"Interim Term" shall mean with respect to any Unit of Equipment, Spare Part or the Facility the period from and including the Lease Commencement Date for such Unit of Equipment, Spare Part or the Facility extending through and including May 31, 1988.

"Installment Payment" shall have the meaning specified therefor in the Participation Agreement.

"Lease" shall mean the foregoing Lease Agreement, dated as of November 1, 1987, by and between the lessee and the lessor specified therein, as the same may be amended, modified or supplemented from time to time.

"Lease Commencement Date" shall mean with respect to any Unit of Equipment, Spare Part or the Facility the date on which such Unit of Equipment, Spare Part or the Facility is accepted for lease under the Lease as evidenced by the execution and delivery of a Certificate of Acceptance with respect to such Unit of Equipment, Spare Part or the Facility.

"Lease Schedule" shall mean each schedule executed by the Lessor and the Lessee in the form of Exhibit 2 to the Lease by which a Unit of Equipment, Spare Part or the Facility shall be leased under the Lease for the Term and for the Rent specified therein.

"Leased Property" shall have the meaning specified in Section 1.1 hereof.

"Lender" and "Lender's Commitment" and "Lessor's Commitment" shall each have the meaning specified therefor in the Participation Agreement.

"Lessee" and "Lessor" shall each have the meaning specified therefor in the Lease.

"Lien" or "lien" shall mean any mortgage, pledge, security interest, encumbrance, lien or charge of any kind, including, without limitation, any title retention agreement, any lease in the nature thereof or the filing of, or agreement to give, any financing statement under the Uniform Commercial Code of any jurisdiction.

"Locomotives" shall mean the ASEA/General Motors EMD AEM-7 Electric Locomotives described in the Preliminary Equipment List attached to the Participation Agreement as Schedule II and, where the context so indicates and as of any date of determination, the locomotives actually then subject to the Lease as evidenced by the inclusion of such locomotives in any Certificate of Acceptance and Lease Schedule executed and delivered from time to time hereunder.

"Net Economic Return" shall mean the after-tax yield, total aggregate after-tax cash flow and the total aggregate after-tax cash flow as a percentage of the sum of Lessor's Commitment plus Installment Payments and internal rate of return (as calculated by the Owner Participant) expected by the Owner Participant with respect to the Leased Property, utilizing the same assumptions as used by Owner Participant in making the initial computations of Basic Rent and Stipulated Loss Values.

"Note" shall have the meaning specified in the Indenture.

"Overall Transaction" shall mean the purchase, financing and lease of the Equipment and the Facility contemplated by this Lease and the Participation Agreement.

"Overdue Rate" shall mean the Penalty Rate provided for in the Indenture.

"Owner Participant" shall have the meaning specified in the Participation Agreement.

"Participant" shall have the meaning set forth in the Participation Agreement.

"Participation Agreement" shall mean the Participation Agreement, dated as of November 1, 1987, by and among the Lessee, the Lessor, the Owner Participant, the Indenture Trustee and the Lender, as the same may be amended, modified or supplemented from time to time.

"Person" shall have the meaning set forth in the Participation Agreement.

"Plant" shall mean, generally, the buildings and other structures to be constructed on the Site under the Construction Contract, all as more fully described in Part 1 of Schedule III attached to the Participation Agreement, and, where the context so indicates and as of any date of determination, all such property actually then subject to the Lease.

"Purchase Agreement" and "Purchase Agreement Assignment" shall each have the meaning specified therefor in the Participation Agreement.

"Purchase Price" shall have the meaning specified in the Participation Agreement.

"Renewal Term" shall have the meaning specified in Section 24.1 of the Lease.

"Rent" shall mean and include all Basic Rent, any rent due under the Lease during any Renewal Term, and all other amounts due and to become due under the Lease or is payable by the Lessee under any other Fundamental Agreement.

"Site" shall mean the land and easements described in Schedule IV attached to the Participation Agreement.

"Site Lease" shall have the meaning set forth in the Participation Agreement.

"Spare Parts" shall mean the the spare parts relating to the Locomotives and Cars described in the Preliminary Equipment List attached to the Participation Agreement as Schedule II and, where the context so indicates and as of any date of determination, the spare parts actually then subject to the Lease as evidenced by the inclusion of such spare parts in any Certificate of Acceptance and Lease Schedule executed and delivered from time to time hereunder.

"Stipulated Loss Value" shall mean an amount determined by reference to Schedule B hereto, for any Unit of Equipment or Spare Part, and determined by reference to Schedule C hereto, for any component of the Plant or the Fixtures.

"Tax Assumptions" shall have the meaning specified in the Tax Indemnity Agreement.

"Term" shall mean, with respect to any Unit of Equipment, Spare Part or the Facility, the full period of time during which such Unit of Equipment, Spare Part or the Facility is subject to this Lease, as described in Section 2.1 of the Lease.

"Termination Date" and "Termination Notice" shall each have the meaning specified therefor in Section 22.1 of the Lease.

"Transit Vehicle" shall mean any Locomotive or Car under the Purchase Agreement.

"Trust Agreement" shall have the meaning specified in the Participation Agreement.

"Unmatured Event of Default" shall mean any event which with notice or the passage of time or both would constitute an Event of Default.

"Vendor" shall mean, in respect of any Transit Vehicle, Bombardier, Inc.

Schedule B
Stipulated Loss Values*
(Equipment)

DATE		DATE		DATE	
J NOV 1987	100.6291	JUN 1991	107.83485	JAN 1995	101.89978
J DEC 1987	99.47931	JUL 1991	108.56691	FEB 1995	102.55240
J JAN 1988	99.58946	AUG 1991	109.29949	MAR 1995	103.20537
J FEB 1988	100.69173	SEP 1991	110.03261	APR 1995	103.86011
J MAR 1988	101.79844	OCT 1991	110.74831	MAY 1995	104.51910
J APR 1988	102.90344	NOV 1991	111.46438	JUN 1995	98.37599
J MAY 1988	103.98124	DEC 1991	108.14164	JUL 1995	99.00425
J JUN 1988	105.09272	JAN 1992	108.84054	AUG 1995	99.63280
J JUL 1988	106.17679	FEB 1992	109.53966	SEP 1995	100.26164
J AUG 1988	107.26487	MAR 1992	110.23902	OCT 1995	100.89468
J SEP 1988	108.35700	APR 1992	110.93075	NOV 1995	101.52805
J OCT 1988	109.42154	MAY 1992	111.62519	DEC 1995	98.58847
J NOV 1988	110.48992	JUN 1992	105.88255	JAN 1996	99.22642
J DEC 1988	111.59494	JUL 1992	106.55657	FEB 1996	99.86475
J JAN 1989	112.67219	AUG 1992	107.23082	MAR 1996	100.50347
J FEB 1989	113.75309	SEP 1992	107.90528	APR 1996	101.14431
J MAR 1989	114.83769	OCT 1992	108.58263	MAY 1996	101.79191
J APR 1989	115.91194	NOV 1992	109.26022	JUN 1996	93.17504
J MAY 1989	116.96847	DEC 1992	106.03955	JUL 1996	93.76678
J JUN 1989	107.48772	JAN 1993	106.72031	AUG 1996	94.35883
J JUL 1989	108.44139	FEB 1993	107.40134	SEP 1996	94.95118
J AUG 1989	109.39765	MAR 1993	108.08265	OCT 1996	95.55021
J SEP 1989	110.35652	APR 1993	108.76542	NOV 1996	96.14961
J OCT 1989	111.29666	MAY 1993	109.45145	DEC 1996	93.40363
J NOV 1989	112.23927	JUN 1993	103.55327	JAN 1997	94.01015
J DEC 1989	113.21861	JUL 1993	104.21279	FEB 1997	94.61711
J JAN 1990	114.17912	AUG 1993	104.87254	MAR 1997	95.22451
J FEB 1990	115.14196	SEP 1993	105.53254	APR 1997	95.83519
J MAR 1990	116.10715	OCT 1993	106.19574	MAY 1997	96.45322
J APR 1990	117.06524	NOV 1993	106.85922	JUN 1997	87.57332
J MAY 1990	118.00386	DEC 1993	103.72724	JUL 1997	88.13006
J JUN 1990	108.40545	JAN 1994	104.39423	AUG 1997	88.68714
J JUL 1990	109.23969	FEB 1994	105.06153	SEP 1997	89.24457
J AUG 1990	110.07515	MAR 1994	105.72915	OCT 1997	89.80921
J SEP 1990	110.91184	APR 1994	106.39839	NOV 1997	90.37427
J OCT 1990	111.72800	MAY 1994	107.07116	DEC 1997	87.82617
J NOV 1990	112.54522	JUN 1994	101.05460	JAN 1998	88.39894
J DEC 1990	113.39943	JUL 1994	101.69876	FEB 1998	88.97220
J JAN 1991	114.23293	AUG 1994	102.34319	MAR 1998	89.54594
J FEB 1991	115.06732	SEP 1994	102.98789	APR 1998	90.12323
J MAR 1991	115.90262	OCT 1994	103.63606	MAY 1998	90.70850
J APR 1991	116.72915	NOV 1994	104.28453	JUN 1998	81.56642
J MAY 1991	117.53855	DEC 1994	101.24749	JUL 1998	82.09472

* Stipulated Loss Values for any Unit of Equipment or Spare Part for any month shall be determined by multiplying the Purchase Price for such Unit of Equipment or Spare Part times the percentage set forth opposite such month.

Schedule B
Stipulated Loss Values*
(Equipment)

DATE	DATE	DATE
AUG 1998 82.62367	MAR 2002 64.64139	OCT 2005 23.65909
SEP 1998 83.15327	APR 2002 65.13515	NOV 2005 23.85730
OCT 1998 83.69098	MAY 2002 65.64310	DEC 2005 19.26811
NOV 1998 84.22943	JUN 2002 54.55877	JAN 2006 19.42949
DEC 1998 82.02972	JUL 2002 54.98286	FEB 2006 19.59233
JAN 1999 82.57710	AUG 2002 55.40975	MAR 2006 19.75662
FEB 1999 83.12529	SEP 2002 55.83945	APR 2006 19.93407
MAR 1999 83.67431	OCT 2002 56.28368	MAY 2006 20.12486
APR 1999 84.22747	NOV 2002 56.73088	
MAY 1999 84.78983	DEC 2002 56.50432	
JUN 1999 75.24404	JAN 2003 56.96923	
JUL 1999 75.74456	FEB 2003 57.43731	
AUG 1999 76.24613	MAR 2003 57.90857	
SEP 1999 76.74875	APR 2003 58.38825	
OCT 1999 77.26076	MAY 2003 58.88428	
NOV 1999 77.77391	JUN 2003 47.17181	
DEC 1999 75.98174	JUL 2003 47.57502	
JAN 2000 76.50554	AUG 2003 47.98185	
FEB 2000 77.03059	SEP 2003 48.39233	
MAR 2000 77.55690	OCT 2003 48.81956	
APR 2000 78.08819	NOV 2003 49.25063	
MAY 2000 78.63011	DEC 2003 49.68556	
JUN 2000 68.62340	JAN 2004 50.13747	
JUL 2000 69.09688	FEB 2004 50.59343	
AUG 2000 69.57189	MAR 2004 51.05348	
SEP 2000 70.04843	APR 2004 51.52346	
OCT 2000 70.53584	MAY 2004 52.01196	
NOV 2000 71.02490	JUN 2004 39.60183	
DEC 2000 69.69280	JUL 2004 39.93381	
JAN 2001 70.19453	AUG 2004 40.26877	
FEB 2001 70.69803	SEP 2004 40.60674	
MAR 2001 71.20332	OCT 2004 40.96203	
APR 2001 71.71456	NOV 2004 41.32051	
MAY 2001 72.23810	DEC 2004 41.68221	
JUN 2001 61.72035	JAN 2005 42.06145	
JUL 2001 62.16813	FEB 2005 42.44409	
AUG 2001 62.61801	MAR 2005 42.83016	
SEP 2001 63.07001	APR 2005 43.22605	
OCT 2001 63.53459	MAY 2005 43.65177	
NOV 2001 64.00142	JUN 2005 22.96118	
DEC 2001 63.18867	JUL 2005 23.12684	
JAN 2002 63.67049	AUG 2005 23.29400	
FEB 2002 64.15473	SEP 2005 23.46265	

* Stipulated Loss Values for any Unit of Equipment or Spare Part for any month shall be determined by multiplying the Purchase Price for such Unit of Equipment or Spare Part times the percentage set forth opposite such month.

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Schedule C
Stipulated Loss Values*
(Facility)

DATE		DATE		DATE	
1 MAY 1988	109.93293	1 OCT 1991	112.72977	1 MAR 1995	108.67301
1 JUN 1988	110.80174	1 NOV 1991	113.55687	1 APR 1995	109.43730
1 JUL 1988	111.66655	1 DEC 1991	110.19121	1 MAY 1995	110.20172
1 AUG 1988	112.53206	1 JAN 1992	111.01887	1 JUN 1995	103.93330
1 SEP 1988	113.39826	1 FEB 1992	111.84695	1 JUL 1995	104.67192
1 OCT 1988	114.26046	1 MAR 1992	112.67545	1 AUG 1995	105.41090
1 NOV 1988	115.12335	1 APR 1992	113.50425	1 SEP 1995	106.15024
1 DEC 1988	116.02043	1 MAY 1992	114.33240	1 OCT 1995	106.88972
1 JAN 1989	116.91350	1 JUN 1992	108.42766	1 NOV 1995	107.62956
1 FEB 1989	117.80725	1 JUL 1992	109.23387	1 DEC 1995	104.60186
1 MAR 1989	118.70168	1 AUG 1992	110.04050	1 JAN 1996	105.34220
1 APR 1989	119.59522	1 SEP 1992	110.84753	1 FEB 1996	106.08291
1 MAY 1989	120.48628	1 OCT 1992	111.65390	1 MAR 1996	106.82398
1 JUN 1989	110.43733	1 NOV 1992	112.46067	1 APR 1996	107.56532
1 JUL 1989	111.29058	1 DEC 1992	109.18447	1 MAY 1996	108.30769
1 AUG 1989	112.14439	1 JAN 1993	109.99098	1 JUN 1996	101.88206
1 SEP 1989	112.99876	1 FEB 1993	110.79790	1 JUL 1996	102.59435
1 OCT 1989	113.85053	1 MAR 1993	111.60524	1 AUG 1996	103.30702
1 NOV 1989	114.70286	1 APR 1993	112.41250	1 SEP 1996	104.02005
1 DEC 1989	115.59081	1 MAY 1993	113.21919	1 OCT 1996	104.73413
1 JAN 1990	116.47615	1 JUN 1993	107.18448	1 NOV 1996	105.44858
1 FEB 1990	117.36204	1 JUL 1993	107.97057	1 DEC 1996	102.57306
1 MAR 1990	118.24849	1 AUG 1993	108.75704	1 JAN 1997	103.28894
1 APR 1990	119.13408	1 SEP 1993	109.54391	1 FEB 1997	104.00519
1 MAY 1990	120.01786	1 OCT 1993	110.33017	1 MAR 1997	104.72183
1 JUN 1990	109.96312	1 NOV 1993	111.11682	1 APR 1997	105.43915
1 JUL 1990	110.81126	1 DEC 1993	107.90066	1 MAY 1997	106.15851
1 AUG 1990	111.65983	1 JAN 1994	108.68708	1 JUN 1997	97.08261
1 SEP 1990	112.50884	1 FEB 1994	109.47390	1 JUL 1997	97.74649
1 OCT 1990	113.35592	1 MAR 1994	110.26111	1 AUG 1997	98.41076
1 NOV 1990	114.20342	1 APR 1994	111.04826	1 SEP 1997	99.07542
1 DEC 1990	115.08814	1 MAY 1994	111.83488	1 OCT 1997	99.74213
1 JAN 1991	115.97092	1 JUN 1994	105.69704	1 NOV 1997	100.40924
1 FEB 1991	116.85413	1 JUL 1994	106.46024	1 DEC 1997	97.81618
1 MAR 1991	117.73777	1 AUG 1994	107.22382	1 JAN 1998	98.48575
1 APR 1991	118.62078	1 SEP 1994	107.98777	1 FEB 1998	99.15574
1 MAY 1991	119.50395	1 OCT 1994	108.75116	1 MAR 1998	99.82613
1 JUN 1991	109.42473	1 NOV 1994	109.51492	1 APR 1998	100.49767
1 JUL 1991	110.25044	1 DEC 1994	106.38117	1 MAY 1998	101.17156
1 AUG 1991	111.07656	1 JAN 1995	107.14474	1 JUN 1998	91.71114
1 SEP 1991	111.90309	1 FEB 1995	107.90869	1 JUL 1998	92.32060

* Stipulated Loss Values for any month shall be determined by multiplying the Contract Price by the percentage set forth opposite such month.

Schedule C
Stipulated Loss Values*
(Facility)

DATE		DATE		DATE	
1 AUG 1998	92.93049	1 JAN 2002	72.92086	1 JUN 2005	19.71043
1 SEP 1998	93.54082	1 FEB 2002	73.33827	1 JUL 2005	19.80935
1 OCT 1998	94.15351	1 MAR 2002	73.75632	1 AUG 2005	19.90859
1 NOV 1998	94.76665	1 APR 2002	74.17637	1 SEP 2005	20.00815
1 DEC 1998	92.52297	1 MAY 2002	74.60060	1 OCT 2005	20.11710
1 JAN 1999	93.13893	1 JUN 2002	62.92944	1 NOV 2005	20.22641
1 FEB 1999	93.75535	1 JUL 2002	63.25332	1 DEC 2005	19.26277
1 MAR 1999	94.37223	1 AUG 2002	63.57787	1 JAN 2006	19.37642
1 APR 1999	94.99042	1 SEP 2002	63.90309	1 FEB 2006	19.49043
1 MAY 1999	95.61135	1 OCT 2002	64.23253	1 MAR 2006	19.60481
1 JUN 1999	85.68674	1 NOV 2002	64.56266	1 APR 2006	19.72359
1 JUL 1999	86.23569	1 DEC 2002	64.18745	1 MAY 2006	19.83245
1 AUG 1999	86.78513	1 JAN 2003	64.52251		
1 SEP 1999	87.33505	1 FEB 2003	64.85827		
1 OCT 1999	87.88772	1 MAR 2003	65.19474		
1 NOV 1999	88.44089	1 APR 2003	65.53349		
1 DEC 1999	86.58839	1 MAY 2003	65.87704		
1 JAN 2000	87.14482	1 JUN 2003	53.48158		
1 FEB 2000	87.70176	1 JUL 2003	53.71300		
1 MAR 2000	88.25920	1 AUG 2003	53.94516		
1 APR 2000	88.81816	1 SEP 2003	54.17808		
1 MAY 2000	89.38029	1 OCT 2003	54.41583		
1 JUN 2000	78.93691	1 NOV 2003	54.65435		
1 JUL 2000	79.41864	1 DEC 2003	54.89365		
1 AUG 2000	79.90090	1 JAN 2004	55.13779		
1 SEP 2000	80.38370	1 FEB 2004	55.38273		
1 OCT 2000	80.86969	1 MAR 2004	55.62847		
1 NOV 2000	81.35623	1 APR 2004	55.87681		
1 DEC 2000	79.94172	1 MAY 2004	56.13051		
1 JAN 2001	80.43201	1 JUN 2004	42.98931		
1 FEB 2001	80.92287	1 JUL 2004	43.18134		
1 MAR 2001	81.41429	1 AUG 2004	43.37400		
1 APR 2001	81.90746	1 SEP 2004	43.56728		
1 MAY 2001	82.40426	1 OCT 2004	43.76574		
1 JUN 2001	71.38111	1 NOV 2004	43.96485		
1 JUL 2001	71.78810	1 DEC 2004	44.16461		
1 AUG 2001	72.19569	1 JAN 2005	44.36956		
1 SEP 2001	72.60389	1 FEB 2005	44.57518		
1 OCT 2001	73.01575	1 MAR 2005	44.78146		
1 NOV 2001	73.42823	1 APR 2005	44.99044		
1 DEC 2001	72.50407	1 MAY 2005	45.20917		

* Stipulated Loss Values for any month shall be determined by multiplying the Contract Price by the percentage set forth opposite such month.

STATE OF NEW YORK :
COUNTY OF NEW YORK : SS:

On this 24th day of November, 1987, before me personally appeared William B. Sowden III, to me personally known, who, being by me duly sworn, says that he is a Vice President of Wilmington Trust Company, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[Notarial Seal]



Notary Public

My Commission expires:

ALICE PEREZ
Notary Public, State of New York
No. 41-4600330
Qualified in Queens County
Certificate Filed in New York County
Commission Expires Jan. 31, 1989

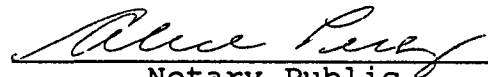
STATE OF NEW YORK :

SS:

COUNTY OF NEW YORK :

On this 24th day of November, 1987, before me personally appeared ~~James A. Archibald~~ and James A. Archibald, to me personally known, who, being by me duly sworn, say that they are the ~~Chairman and~~ Treasurer, respectively, of Southeastern Pennsylvania Transportation Authority, that one of the seals affixed to the foregoing instrument is the seal of said body corporate and politic, that said instrument was signed and sealed on behalf of said body corporate and politic by authority of its Board, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said body corporate and politic.

[Notarial Seal]


Notary Public

My Commission expires:

ALICE PEREZ
Notary Public, State of New York
No. 41-4600330
Qualified in Queens County
Certificate Filed in New York County
Commission Expires Jan. 31, 1989

STATE OF PENNSYLVANIA)
)
COUNTY OF PHILADELPHIA) ss:

On this 24th day of November, 1987, before me, a Notary Public in and for the Commonwealth of Pennsylvania, the undersigned officer, personally appeared Lewis F. Gould, Jr., who acknowledged himself to be the Chairman of the Southeastern Pennsylvania Transportation Authority, a corporation, and that he as such Chairman, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of the corporation by himself as Chairman.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Jean B. DeMuth (SEAL)
Notary Public

My Commission expires:

Sept 16, 1991

NOV 27 1987 - 2 35 PM

LEASE SCHEDULE executed and ~~INTERSTATE COMMERCE COMMISSION~~ to the Lease Agreement dated as of November 1, 1987 (the "Lease"), by and between Wilmington Trust Company, as Owner Trustee (the "Lessor"), and Southeastern Pennsylvania Transportation Authority (the "Lessee"), the terms and conditions of which are hereby incorporated herein by reference. The Lessee hereby (a) agrees to lease each Unit of Equipment identified herein from the Lessor effective the Lease Commencement Date specified below and for the Term specified in the Lease, and (b) agrees to pay to the Lessor Basic Rent in the amounts specified below for the Equipment at the times specified in the Lease. All capitalized terms used herein but not defined herein are used with the meanings, respectively, specified therefore in the Lease.

<u>Equipment</u> <u>Description</u>	<u>Vendor</u>	<u>No.</u>	<u>Model</u> <u>No.</u>	<u>Serial</u> <u>No.</u>	<u>Purchase</u> <u>Price</u>
----------------------------------------	---------------	------------	----------------------------	-----------------------------	---------------------------------

SEE SCHEDULE A ATTACHED HERETO

The total Purchase Price of the Units of Equipment leased hereunder is \$27,742,957.00.

The Lease Commencement Date is November 25, 1987.

The nonrefundable 3% Fee is equal to \$832,288.71, the receipt of which the Lessor hereby acknowledges.

Basic Rent shall consist of (i) an initial payment, payable on the Closing Date, equal to 2% of the Purchase Price and (ii) thirty-six (36) semiannual payments in the amounts set forth in Annex A to this Lease Schedule with the first such installment due and payable November 30, 1988 and thereafter on the thirtieth day of each following May and November, with the 36th and final such payment due November 30, 2005.

The Installment Payments payable by the Owner Participant are set forth on Schedule B attached hereto.

FORD MOTOR/DEUTSCHE CREDIT/SEPTA

SCHEDULE A TO LEASE SCHEDULE
SEPTA/FORD/DCC
FUNDING DATE NOVEMBER 25, 1987

<u>Equipment Description</u>	<u>Vendor</u>	<u>Model No.</u>	<u>Serial No.</u>	<u>Purchase Price</u>
Commuter Railroad Trailer Cars	Bombardier Inc.	JWC-II-T	2501	\$837,414.28
			2502	837,414.28
			2503	837,414.28
			2504	837,414.28
			2505	837,414.28
			2506	837,414.28
			2507	837,414.28
			2508	837,414.28
			2509	837,414.28
			2510	837,414.28
			2511	837,414.28
			2512	837,414.28
			2513	837,414.28
			2514	837,414.28
			2515	837,414.28
			2516	837,414.28
			2517	837,414.28
			2518	837,414.28
			2519	837,414.28
			2520	837,414.28
			2521	837,414.28
			2522	837,414.28
			2523	837,414.28
			2524	837,414.28
			2525	837,414.28
				<u>20,935,357.00</u>
Commuter Railroad Cab Cars	Bombardier Inc.	JWC-II-C	2401	972,514.28
			2402	972,514.28
			2403	972,514.28
			2404	972,514.29
			2405	972,514.29
			2406	972,514.29
			2407	972,514.29
				<u>6,807,600.00</u>

Schedule B to Lease Schedule

Installment Payments

<u>Dates</u>	<u>Amounts</u>
May 30, 1988	\$2,717,753.80
Nov. 30, 1988	\$3,694,007.16
Nov. 30, 1989	\$3,694,007.16
Nov. 30, 1990	\$3,694,007.16

ANNEX A TO LEASE SCHEDULE

BASIC RENT*

RENTAL DATE	RENT NUMBER	% OF RENT COST
5/30/1988	0	0.00000000
11/30/1988	1	0.00000000
5/30/1989	2	10.9047977
11/30/1989	3	0.00000000
5/30/1990	4	10.9047977
11/30/1990	5	0.00000000
5/30/1991	6	10.9047977
11/30/1991	7	4.1931722
5/30/1992	8	6.7116256
11/30/1992	9	4.0833876
5/30/1993	10	6.8214101
11/30/1993	11	4.0031952
5/30/1994	12	6.9016025
11/30/1994	13	3.8978854
5/30/1995	14	7.0069123
11/30/1995	15	3.7678980
5/30/1996	16	7.1368997
11/30/1996	17	3.5903482
5/30/1997	18	9.7377379
11/30/1997	19	3.2605736
5/30/1998	20	10.0675126
11/30/1998	21	2.8572624
5/30/1999	22	10.4708237
11/30/1999	23	2.4061589
5/30/2000	24	10.9219272
11/30/2000	25	1.9015996
5/30/2001	26	11.4264865
11/30/2001	27	1.3372501
5/30/2002	28	11.9908360
11/30/2002	29	0.7060251
5/30/2003	30	12.6220610
11/30/2003	31	0.0000000
5/30/2004	32	13.3280861
11/30/2004	33	0.0000000
5/30/2005	34 + 35	25.5882999
11/30/2005	36	1.0678724
TOTAL		220.5192431

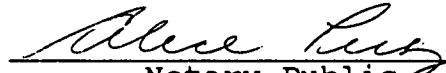
* Basic Rent due on any date shall be equal to the Purchase Price of all Units of Equipment and Spare Parts subject to this Lease Schedule times the percentage set forth opposite such date.

Basic Rent is payable in arrears for Rent Numbers 1 to 34 and in advance for Rent Numbers 35 and 36.

STATE OF NEW YORK :
COUNTY OF NEW YORK : ss:

On this 24th day of November, 1987, before me personally appeared William B. Sowden III, to me personally known, who, being by me duly sworn, says that he is a Vice President of Wilmington Trust Company, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[Notarial Seal]



Notary Public

My Commission expires:

ALICE PEREZ
Notary Public, State of New York
No. 41-4600330
Qualified in Queens County
Certificate Filed in New York County
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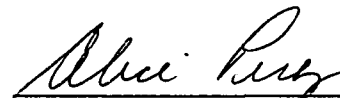
STATE OF NEW YORK :

SS:

COUNTY OF NEW YORK :

On this 24th day of November, 1987, before me personally appeared Lewis F. Gould and James A. Archibald, to me personally known, who, being by me duly sworn, say that they are the Chairman and Treasurer, respectively, of Southeastern Pennsylvania Transportation Authority, that one of the seals affixed to the foregoing instrument is the seal of said body corporate and politic, that said instrument was signed and sealed on behalf of said body corporate and politic by authority of its Board, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said body corporate and politic.

[Notarial Seal]



Notary Public

My Commission expires:

ALICE PEREZ
Notary Public, State of New York
No. 41-4600330
Qualified in Queens County
Certificate Filed in New York County
Commission Expires Jan. 31, 1989

The Lessee and the Lessor hereby confirm all the terms and provisions of the Lease and, in witness whereof, have caused their duly authorized officers to execute this Lease Schedule.

WILMINGTON TRUST COMPANY,
as Owner Trustee, LESSOR

SOUTHEASTERN PENNSYLVANIA
TRANSPORTATION AUTHORITY,
LESSEE

By: _____

Title: _____

By: _____

Title: _____

By: _____

Title: _____

APPROVED AS TO FORM
BY: _____
GENERAL COUNSEL'S OFFICE